

DUN'S REVIEW

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XVII of a series of Century old cities - Cleveland

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THIS MONTH'S COVER

In 1834, when Thomas Whelpley published the line engraving reproduced on the front cover, Cleveland, Ohio, had been an incorporated village for only twenty years. Indeed it was not until after the Revolution that it had ceased to be merely a point on the edge of the Northwest Territory and become a trading post. It took its name in 1796 from General Moses Cleveland, of Connecticut, who had charge of surveying the region. In the cover view, from left to right, the four principal buildings with towers are Cleveland Academy, Trinity Church, Old Stone Church, and the Court House. . . . This print from the Phelps Stokes collection appears through the courtesy of the New York Public Library. . . . The lakefront city's steady growth, from 1,076 inhabitants in 1830 to more than 900,000 in 1930, was given considerable impetus in early years by the Ohio Canal. With Cleveland as its northern terminus, the waterway bisected the State, running south to Portsmouth on the Ohio River. Another reason for expansion, through manufacturing and commerce, was Cleveland's strategic location between the iron regions on Lake Superior and the coal and oil fields of Pennsylvania and Ohio. Thus it has become a major ore market, a great railway center, and an important inland port. In the aerial photograph above Cleveland appears as it is today, the sixth city in size in the United States.



CUSHING

DUN'S REVIEW FOR JUNE 1938



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D U N ' S R E V I E W F O R J U N E 1 9 3 8



GENDREAU

THE BUSINESS MAN ALSO REVOLTS

CHARLES D. AMMON

*President, The Cushman Motor Works
Lincoln, Nebraska*

I'M GETTING tired of the job. In fact, it no longer is a job—it's a pain, almost a nightmare. I'm tired of the unfairness of my consumer, although I can't remain in business without him. He has reached the point

where he thinks there is only one side to any transaction—*his* side. He is now kicking me around worse than they used to kick my dog around.

I have set up a laboratory, and an experimental shop. I employ chemists, engineers, and scientists to discover new comforts, pleasures, and luxuries for the consumer. These cost vast sums to start, and the yearly expense is terrific. I take a chance on the outcome. I gamble that I can make something which will benefit the consumer enough so that he will pay for it. By such means I lifted his standard of living so far and so fast that it is the wonder and envy of other nations. I make my

In answer to Colston E. Warne's "The Consumer Revolt Against Business," which appeared in the February number, a manufacturer here submits his view of the other side of the question. This is one of a series of articles on subjects of unusual significance to business, presenting the opinions of men whose diverse backgrounds and points of view have created decided, and often conflicting, convictions.

products so efficiently, and have reduced the price so rapidly, that any man with a spark of ambition can possess and enjoy them.

Then, just as soon as my products become a part of my consumer's life, he takes them for granted. They become a part of his "God-given natural resources." He begins to accuse me of being mean and grasping. Instead of trying to earn them, he puts in hours of time abusing me for not supplying them FREE.

Politicians are elected to office by their abuse of me. Teachers, whom I have supported by my taxes and by my employment of their students, train these students to hate me and to question my honesty, or right of possession, at the same time that they expect employment from me. I am first abused, and then regulated, by every impractical brain-truster and power-mad

politician in the Country.

My consumers have listened to the extravagant promises of politicians, labor leaders, social reformers, and entertainment producers, until when I present my products in simple, truthful language I am laughed at. My consumers demand exaggeration to hold their attention. When I state that my product has limits of value, they leave me and hide themselves to some street-corner faker, or some house-to-house canvasser, who is licensed by the political bodies which my taxes support.

When my customers buy foods, they expect me to claim every vitamin, gland extract, and food value that the fanciful imagination of the medical profession can describe.

Led by job-holding bureaucrats, consumers ask that I support, by taxes, theorizing and testing bureaus who think that, without experience, they can write standards and specifications of more value than those I have established by years of business experience and improvement.

I am tired of the service my consumers ask of me, and the unfairness—nay, the actual dishonesty—of their dealings with me. I service my products, at great expense, while introducing them. I fit them to their uses; I develop new uses. To do this, I am forced to build up expensive sales and service organizations. Then, when all the development is completed, my customers wish to form co-operatives to destroy my organization—co-ops which have never developed either new products, new uses of products, efficient sales methods, or practical service organizations. My customers ask, and receive, special tax favors for these co-ops, even government financing. They ask that I meet the price of such co-ops, and also extend them credit, while they pay cash to these competitors. They ask that I furnish service, instead of red tape.

My consumers demand that I tell them of my products by newspaper, magazine, and radio—that I pay, with my advertising, for all their reading, news, and entertainment. Then they feel free to listen to tax-supported bureaucrats rave against the educational and



ENGINE MANUFACTURER

In 1900, at the age of 13, Charles D. Ammon began working as an assistant to the station agent of the Illinois Central at Benton, Ill. Then with his father he operated a grocery store for two years and a rice farm for one. In 1907 they entered the hardware business in David City, Neb., and in the thirteen succeeding years purchased ten hardware stores in all, closing out that business in 1920.

A few years before, Mr. Ammon had organized the Easy Manufacturing Company. In 1923, it was moved to Lincoln, Neb., where he took over another enterprise, the Yale-Hopewell Company. In 1934 these companies were merged into the Cushman Motor Works, which he had acquired two years before. With Mr. Ammon as president, the Cushman Motor Works manufactures electric light plants, power lawnmowers, windmills, feed-grinders, and other engine-driven machinery.

esthetic value of my programs, and abuse the little advertising which I put in with the entertainment.

I am getting tired of supporting, by contributions and taxes, professional welfare workers whose sole aim in life is "bigger and better charities," and greater salaries for themselves, while at the same time they place the blame for their need upon my failure to make the "more abundant life" as free as salvation for every incompetent under their wings. Yet they would not let me do this if I could—it would mean their jobs.

I am getting tired of supporting, by taxes, a lot of teachers who, having never had any practical business experience, never having paid any wages, never even having had to produce anything or give any service, in proportion to their salaries, yet feel free to tell my customers, as unassailable gospel truth, what a men-

ace to the general welfare I am, and how I should distribute all the comforts of life, regardless of the willingness of others to give me some adequate service, in return for my efforts.

I am getting considerably tired of my employees. I have furnished labor-saving machinery that has taken the physical drudgery out of their work. I have installed automatic equipment, which has permitted men with comparatively little experience to produce and obtain continually advancing rates of pay, at the same time that the costs of my products have declined. I have tried to educate my men so that they might advance; I have made their working conditions pleasant; I have helped to elevate their social life. Not only have many of them refused to help in their own advancement, refused to spend any time in study, refused to assist my efforts, but now I find them following strange leaders, with wild promises, mostly based upon hate and class prejudice. I find them beginning to hate me and my family and friends. I find them demanding that paid, prejudiced outsiders, and political climbers, dictate to me all my relations with my employees and my consumers.

I am tired of every politician riding into office upon his abuse of an economy that makes his office and salary possible. I am tired of him who, while not knowing or caring anything about the actual needs of business, passes restrictive laws that are gradually enslaving me and my employees, lowering their and my standards of living, and causing the cycles of business to be greatly exaggerated, and at the same time using such results as a means still further to control and to handicap me and to regiment my employees.

I am tired of being blamed for unemployment and maldistribution, by these same politicians, who have wrecked business and brought on a depression by political handicaps, both Federal and State; who have thrown my employees out of work and destroyed the purchasing power of my customers; who have attempted to repeal the laws of supply and demand; who favor organized voting groups; and who now prevent my doing anything constructive to undo their wrong. They make me feel I can do nothing worth while with my labor or life.

I am tired of being blamed for a submerged third, ill-clothed and poorly housed. I have developed unthought-of products, making an unlimited number of jobs. I have almost abolished the need of the day laborer, and substituted the opportunity for better

work. I can't give men ambition—I expect the teachers I hire to do that. But I have made a place for every individual with ambition, and have created an opportunity for him to progress as far as the tax collectors will permit.

Finally, I am tired of supporting the whole mess by taxes. I spend half my effort, and pay out half my income, to non-producing political drones. This further prevents my industrial progress and the advancement of my employees. I am taxed on what I produce, on what I spend, and on the people I employ, and when it is all over, I cannot leave even the residue to my loved ones, without these squanderers taking the larger part of it.

I love my work. I feel I have done something constructive—have added something to the comforts and happiness of mankind. But no longer can I accomplish much, with such unbearable and unsurmountable handicaps. So even the solace of a day's work well done is denied me. I am tired of it all. If someone will only show me the place on the face of the earth where energy, ambition, and thrift have a chance to accomplish something, I am ready, even at my age, to start there from scratch. Otherwise, I am about ready to sit down in my house by the side of the road, and let the rest of the world go by.

GENDREAD



[7]

THE TREND OF TAX DELINQUENCY —1937 FIGURES

FREDERICK L. BIRD

Director of Municipal Research
DUN & BRADSTREET, INC.

THE average American city had no sound alibi for an unbalanced budget in 1937. Cities generally collected more of their property taxes than in any previous year on record; and general property taxes, as no local taxpayer need be reminded, constitute the backbone of the municipal revenue system. Not only did taxes from the year's current levy flow in more promptly than in any year since the depression got under way, but the influx of delinquent taxes was so extensive as to raise the average city's total collections measurably above the levy which had been made for the year.

One hundred and fifty representative cities of more than 50,000 population averaged only 11.3 per cent of their current year's taxes unpaid at the end of the 1937 fiscal year. If this seems less than a satisfactory record it needs only to be compared with the average of 26.35 per cent delinquent at the end of 1933, and with the fairly normal 10.15 per cent at the close of 1930. The collection system in the typical city, as a matter of fact, is not a model of efficiency, and therefore accounts for a not inconsiderable portion of the carry-over of uncollected taxes from one year to another.

Actual results in 1937 demonstrate that an economically stable city can collect practically all of its taxes when they are due if it applies businesslike methods. San Francisco closed the year with only 1.5 per cent of its taxes delinquent, San José and Birmingham with almost equally good records, Berkeley, Fresno, Buffalo, Oakland, and Mobile with less than 3 per cent still due, and ten other cities of more

than 50,000 population with less than 5 per cent outstanding. By way of contrast, fifteen cities in this same population class were still waiting for more than 25 per cent of their current taxes when the year closed—largely because they had failed properly to synchronize their payment dates with the fiscal year or had never made any serious effort to implant the idea that taxes were payable when due.

Eight-Year Trend

The eight-year trend of year-end tax delinquency, depicted in the accompanying chart, showed an increasing acceleration each year after 1930 to the peak in 1933, a slow beginning of recovery in 1934, more rapid spurts toward normal in the following two years, and a further but less conspicuous improvement in 1937, retarded no doubt by the slump in business in the latter half of the year. Cities whose taxes did not become payable until late in 1937 tended to reflect this condition, particularly in Massachusetts where the recession began early and taxes did

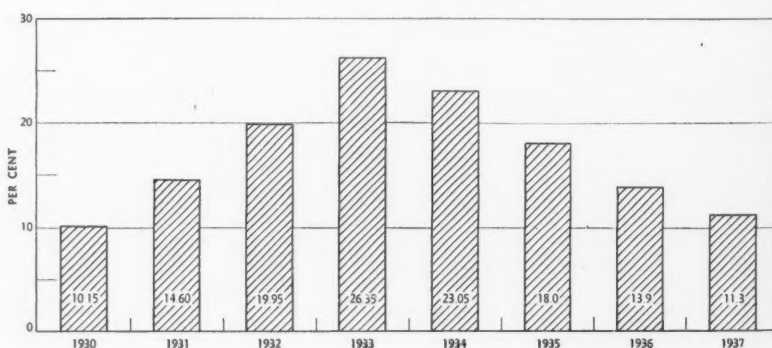
not become delinquent and subject to penalty until November.¹

Perhaps the most outstanding feature of the improvement in current tax collections in 1937 was the relatively large number of cities which bettered their 1930 records in spite of the fact that the general average was still slightly short of re-attaining this level. Fifty-eight of the 150 cities used in the DUN & BRADSTREET index acquired this distinction, including such a range as to size, type, and location as New York, Philadelphia, Dallas, Greensboro, Atlantic City, Miami, Newark, Norfolk, Pontiac, and Seattle. This reflected, in the case of a few, better business conditions than in 1930, also, for a few, much lower tax levies; but in most instances the exigencies of the depression had forced the adoption of better collection methods.

While for most cities 1937 marked a return to normal, or near normal, in current tax collections, it was an ab-

¹ These data are based on *The Trend of Tax Delinquency, 1930-1937*, the most recent of the annual surveys of tax collections in United States cities of more than 50,000 population published by the Municipal Service Department of DUN & BRADSTREET, INC.

YEAR-END TAX DELINQUENCY IN 150 CITIES



normally good year in so far as total tax collections were concerned. During the worst years of the depression tax arrears piled up until in some cities they were in excess of a full year's levy. The thawing of these frozen assets began in 1934, progressed rapidly the next two years for cities experiencing rapid recovery, but still contributed so liberally to municipal incomes of 1937 that, in conjunction with the rise in current collections, total collections in 1937 averaged 102.9 per cent of the current levies for 121 representative cities. In only 35 of the 121, in fact, did total collections fall below the levy, while 46 exceeded 105 per cent of their current levies, 20 exceeded 110 per cent, and six realized in excess of 120 per cent. Many of the cities which had experienced the poorest depression collection records enjoyed the most abnormally good results last year, conspicuously in this group being the automobile and steel producing centers.

Uses of Surplus

What cities did with this surplus of cash is important. In many instances it went to retire bank loans or pay up accumulated bills. In some it provided a comfortable cash reserve. In several it went toward capital or other special requirements which normally would have necessitated borrowing.

All such applications served to strengthen cities financially and fortify them against future exigencies. In a by no means inconspicuous number of instances, however, it went to bolster fantastic revenue estimates, to help politicians justify increased costs or injudiciously low tax rates, to postpone a little longer the day of reckoning for cities suffering under repressive tax rate limits—in other words, spent for current purposes without materially strengthening the basic financial position. A few cities favored by extraordinary tax incomes, in fact, closed 1937 in poorer financial condition than when the year opened, a clear indication that their managements had learned nothing from depression experience.

Forecasting the trend of tax delinquency in 1938 is as hazardous as predicting the trend and duration of the new depression. If there should be a decline in the collection of municipal revenues that even remotely approached the precipitate drop in business activity, the outlook for balanced budgets this year would be gloomy indeed. Even without any such eventuality the situation is bad enough because of the unanticipated rise in relief costs which most budgets are not arranged to cover. Thus an expansion of emer-

gency borrowing is in prospect, as well as a considerable amount of confusion and makeshift adjusting where borrowing power is exhausted or legal provisions for incurring debt inadequate.

Effect of Business Slump

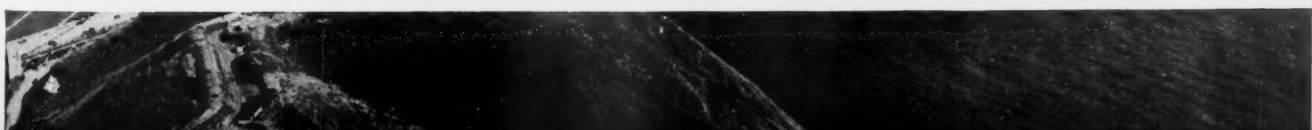
Opinions differ as to the probable effect of the decline in business and employment on the payment of taxes this year. On the one hand, it is contended that taxpayers have not had opportunity to build up their depleted reserves and therefore are in a less favorable position than after 1929, and that the waiving of penalties and granting of other favors to delinquents in recent years will tend to encourage non-payment at the present time in anticipation of new leniency. On the other hand, the point is made that there has been extensive deflation of the speculative values and shoestring holdings of 1929, that much property has passed into stronger hands, and that Government and other refinancing has materially strengthened the situation—all making for the creation of a sounder tax base. The fact cannot be overlooked, moreover, that in many areas the process of tax collection has been placed on a more efficient basis than ever before.

Leaving conjecture aside, however, actual collection of current taxes in the

(Continued on page 43)

At the year's end only 1.5 per cent of 1937 city taxes were unpaid in San Francisco, beyond Golden Gate Bridge.

GENDREAU



A FORMER WPA ADMINISTRATOR LOOKS BACK AT HIS JOB

ALBERT ABRAHAMSON

Associate Professor of Economics, Bowdoin College

For two years it was Mr. Abrahamson, left, who faced the major WPA problems in Maine. When he resigned just a year ago, John C. Fitzgerald, at the right, became the Administrator.



MY ATTITUDE toward the Federal relief program seems to have passed through three distinct stages in the last three years. When I first assumed the post of WPA Administrator for Maine in the Summer of 1935, I was definitely an optimist. When I left the post on June 30, 1937, I was a pessimist. Now I have acquired a third attitude, somewhere between the two which preceded.

In July, 1935, as an economist for a Cabinet committee, I was sweltering at a desk in Washington, putting some finishing touches to a study of prices. All I could think of was finishing that study, escaping the heat of Washington, and taking a vacation preparatory to returning to college teaching.

Hazy reports of WPA had reached me, particularly of the great difficulty in selecting an administrator for Maine. Anxious to help, I had made several casual suggestions for the post; but none of my nominations seemed to please any more than did the dozens from other sources. Maine remained

without an administrator for weeks after the program started.

Suddenly, on a Monday morning, I found myself transformed from a research economist, anxiously trying to get a vacation, to the WPA Administrator for Maine. Mr. Harry L. Hopkins, whom I had never met before, summoned me to his office and offered me the post. Apparently my name had been suggested by a mutual friend, and I had been thoroughly investigated, as I later discovered. Before I really knew what had happened to me, I was a Federal relief official. It was only months later that I realized how much difference there is between administering a Federal relief program and being a researching or professing economist.

Anxiety

During my first few weeks on the job I was struck by the number of people who were concerned about me and about the program and who took the trouble to offer advice. There

were, first of all, those who seemed inordinately troubled about my mental and physical well-being. Repeated warnings that I would suffer a complete breakdown within a few months came to me. I also received a great deal of advice on how to select administrative employees, how to purchase material and supplies, and how to choose the needy

workers to go on the projects. Since these suggestions were wholly at variance with Federal procedure, I had to reject them. In doing this, I recruited the first squad in the regiment of enemies that came to me over a two-year period. I have never been able to decide whether I should be prouder of my WPA friends or of my WPA enemies.

In spite of warnings and advice, I entered upon my work with great faith in the program and with the conviction that the country was on the right road. But 23 months on the job caused me to change my attitude.

On June 30, 1937, my opinions on relief had shifted completely. The problem no longer seemed vital. The number employed on Maine WPA projects, which had reached a peak of 11,000 in February, 1936, had fallen to 2,500 in June, 1937, as a result of the pick-up in private employment. The best workers had left our projects, and those remaining no longer seemed to justify much concern or effort.

I was fed up with the whole business—workers, sponsors, and politicians. I was weary of the many men who studiously and artfully avoided all opportunities for private employment because they liked the WPA. The unanswered newspaper advertisements for thousands of woodsmen appearing in May, 1937, were bad enough; the preliminary effort of one lumber company to import 1,000 woodsmen from Canada while there were still people on WPA was shocking in its implications.

There were other irritations as well. A great depression came over me when an occasional rough checkup showed that the workers were spending a great deal of their income at the State liquor stores and on lotteries. The occasional cases of wife-beating or desertion of family by WPA workers, the letters of protest and vituperation did not encourage any belief on my part that WPA was dealing with the flower of American manhood.

Misgivings

In general, during the Spring of 1937, I was inclined to agree with the United States Senator who had repeatedly told me that a minimum of food, clothing, and shelter was all that the Government should give the needy. Private industry would eventually take the worthy unemployed.

Then there were the sponsors—the local officials who submitted projects on which the unemployed were to

work. Some sponsors publicly attacked the whole program in theory and performance, and then came around privately with a tin cup asking for more assistance. After help had been given other sponsors, they would proudly publish comparative figures on their own local relief expenditures, showing how much of a decline had taken place in 1936, for example, as compared with 1935. They deliberately avoided mention of the fact that if the Federal Government had not spent tremendous sums in their communities the trend of the figures would have been in the opposite direction. There were also sponsors who insisted upon projects that were obviously of more benefit to small groups than to the general public. And there were many local officials who violated specific and repeated WPA regulations and used workers on normal town functions, particularly when WPA officials were not around.

In reciting my lamentations of the Spring of 1937, I must not omit the politicians, many of whom opposed me from beginning to end. They threatened, they lied, and they spread rumors of my resignation or dismissal week after week. Some of Maine's leading statesmen marched to Washington periodically to report on the ingratitude and obtuseness of the young "whippersnapper" and "the Sherlock Holmes" who was serving as WPA Administrator. Others came to me, or sent messages by mail and phone, first requesting that I "co-operate" and

"play ball" and later threatening campaigns of dismissal. Just before the September, 1936, elections in particular, life seemed to consist almost wholly of political wrestling matches, duels, and chess games.

The Workers

After almost a year away from the scene, I can see that my depressed mood in June, 1937, was unwarranted. It is only fair to state that at the peak of the program the vast majority of the project workers were able and willing.

Considering the sponsors as a whole, one may conclude that the majority of them were simply elective officials trying to help their towns and cities to some freely-flowing Federal funds. If one sponsor hired an architect who submitted grossly inaccurate specifications for steel, there were also others who were seriously co-operative. And at least one noble city manager was of great positive assistance. Finally, if there were men in public life who opposed me, there were others who rendered invaluable assistance. All through my tenure of office I had the consistent and intelligent co-operation of Harry L. Hopkins, for whom I have great admiration for having done an impossible job. Most important of all, there were several hundred administrative employees who worked honestly, loyally, and faithfully through crisis after crisis—particularly through the period of the flood of 1936—even though all but one or two of them were complete strangers to me when they were engaged in 1935.

This rather personal account will give some idea of what one WPA Administrator thought and worried about while in office. But it is included primarily to show the background for the attitude and conclusions I now profess. An original optimism was first converted by experience to bitter pessimism. More mature reflection has resulted in a swing back to what seems a more reasonable attitude.

It is in this last mood that I attempt an evaluation of the Works Program

For light craft a new landing on the Maine coast, the sea-wall at Rockland.



and related problems. I feel that I can now distinguish between the temporary disappointment and fundamental realities, and that I can now judge the whole picture in detached fashion. My task is to list the debits and credits that may be entered in the WPA account.

A great deal of confusion has arisen in the evaluation of the WPA and related programs, because so many people have tried to judge them in the conventional terms of a business civilization. Trained to think almost wholly in terms of money costs, private profit, and engineering efficiency, most critics and observers have approached the Federal Works Program seeking simple answers to familiar questions. How much does a program or project cost? How efficient are the men? In dollars and cents, what does a given project mean to a community? These questions are pertinent, the answers to them are important, but there are other matters more significant.

Social Accounting

Few people think in terms of human costs rather than money costs, because social accounting is a backward art in modern society. Socially speaking it is wasteful to permit the erosion of skills and the demoralization of individuals. Socially speaking it is not simply a matter of how cheaply relief workers can build a sewer or pave a road, or how their efficiency in performing these functions compares with that of a crew hired and paid by a private contractor. Society, in short, has a problem of human conservation on its hands. And the success with which this problem is met is not subject to measurement in terms of dollar profits.

After all, a private contractor has one prime concern. He wants to make money. If workers are inefficient in the sense that they do not yield profits to their employer, they are dismissed. The problem of supporting them is left to the workers themselves, to their families and friends, to private charity, or to some public assistance agency.

From the standpoint of the employer it is all quite simple. But precisely when the employer ceases worrying about his labor problem, society begins to worry.

An emergency works program, financed by public funds, has its roots in an effort to meet a problem insoluble by private business. To some the cost of a works program is simply the cost of avoiding unpleasantness and possibly revolution. To an increasing number of thoughtful persons, however, a works program is an investment by society in preserving skills, building morale, and encouraging self-respect. Just as a manufacturer finds it profitable to maintain machinery when it is not in use, so society wishes to keep its human resources from spoiling. But society's success is judged by answers to questions that may strike the average business man as strange indeed. Is a man better off at work on a project than he is sulking at home on direct relief? Does society gain by the retention and the improvement of the skill and morale of its working force? Is there a social saving in using the available knowledge and ability of the unemployed rather than allowing these precious assets to go to waste?

Advocates of work relief answer these questions with a vigorous affirmative. They can offer neither balance sheets nor operating statements to show money profits. There are neither charts nor graphs measuring the losses which result from gradual starvation and from the demoralization of millions of people. Because the art of social cost accounting has not been developed, the apologist for work relief must emphasize intangible benefits to individuals and to the community. In this he is in the same position as all who deal



with the most precious values of human existence.

A simple illustration may clarify the issue. There are 50 families—each with an employable member—on direct relief in a community. Each month \$1,000 is spent keeping them alive with direct relief in the form of rent, fuel, food, and clothing. The idea of a work relief program develops. The men are put to work on a road for a month. The cost of the road including the materials is \$2,000. Those who use narrow money terms claim that \$1,000 has been wasted. Even though the community has a new road, they point out that the 50 families could have been kept alive for \$1,000 less. Such a conclusion, it seems to me, is unwarranted.

If relief labor is only 50 per cent efficient—which is an extreme understatement—and if the community needs the road there is really no net gain or net loss even in terms of the money calculus. The extra \$1,000 has yielded a road worth at least \$1,000. But in terms of human values there is a much more important gain, even though it cannot be captured in dollars. The men have been at work, they have accomplished something, their attitude is healthier. Society has definitely gained. This is the place to look to find the true merit of a works program.

This preamble is in no sense intended as a blanket apology for the inefficiencies of the WPA in Maine or

in the Nation. Actually money costs were carefully kept in Maine. There were some projects completed at costs fully as low as contractors' estimates. Wherever a supply of employable labor was joined with proper supervision and genuine co-operation by sponsors the results were such as to delight even a person who judges such matters by pecuniary standards. But when labor was only partly employable, frequently because of undernourishment or demoralization, and when sponsors were indifferent or unscrupu-

lous, high money costs invariably resulted. These occasional extravagant expenditures are to be regretted. But they must be compared with the social advantages to the community. In any such comparison, there is a distinct net gain to society.

The achievement of WPA in Maine to date may, if one wishes, be measured in terms of projects. Manual labor has been diverted from idleness to the construction of roads, airports, streets, sewers, sea-walls, bridges, dams, water systems, public buildings, fish hatcheries and ladders, and even a pheasant farm. All the damage to public property in the flood of 1936 was repaired with relief labor, when available. White-collar workers have contributed murals, theatrical and musical performances, a guide book, the arrangement and improvement of public records, the instruction of students, and the care of underprivileged children. Women have sewed thousands of garments for distribution by State authorities to the destitute. One could expand the list into a volume.

All of the projects had friends to praise them and enemies to attack them. One man's boon was another

man's boondoggle. With few exceptions the projects were promoted and requested by local officials, and there are signed requests for them in the files of the Maine WPA. There were "sour" projects, of course, but every effort was made either to sweeten them or to abandon them at the minimum of inconvenience. No local project was ever undertaken against the will of local officials. Several local projects were discontinued for reasons that reflect no credit on their sponsors.

WPA went out of its self-imposed sphere in promoting Federal projects for writers, artists, musicians, and actors, and in making special efforts to devise suitable occupations within each State for women and professional workers. The plight of the unemployed artist and his need for retaining his skill are fully as appealing as the problems of the ditch-digger. Starvation and demoralization are at least as real to the female office worker as they are to the male carpenter. Because local sponsors did not always agree, WPA itself had to originate projects in these fields.

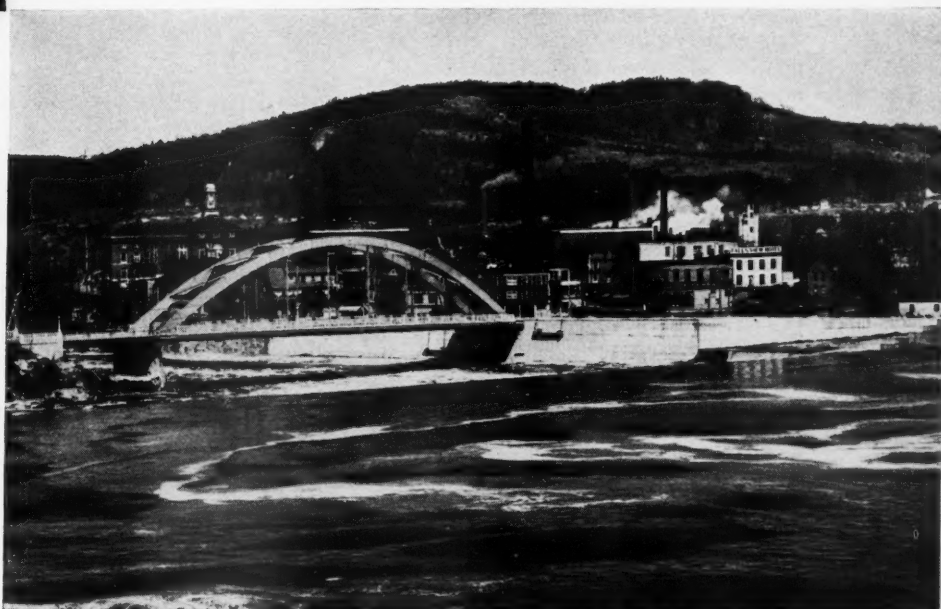
But a works program does not live by projects alone. Far more important



Top of opposite page, the Tourist Information Station, at the principal highway entrance to the City of Portland, built for Publicity Bureau of the Maine Development Commission.

Above, "Society has a problem of human conservation on its hands, and the success with which this problem is met is not subject to measurement in terms of dollar profits."

Right, one of the major undertakings, a retaining wall erected at Rumford to repair flood damage and to prevent future inundation. The photographs which accompany this article have been taken by the WPA of Maine.



is the human rehabilitation that was achieved. The restoration of self-respect and skill is much more significant than the physical achievements. The primary accomplishment of WPA is human and social. The projects are nothing more than means to this important end. The whole program succeeds or fails on the basis of what it does to—and for—human beings. This view is emphasized because the general public does not always share it.

Purpose Fulfilled

The WPA in Maine, in my not wholly unbiased opinion, accomplished its fundamental purpose for most of its workers. It is still doing so. While it is impossible to devise projects to fit all aptitudes, WPA did put thousands of men and women on roughly suitable projects and did keep them in condition for their ultimate return to their normal occupations. Thousands did leave for private industry. It is true that some of them have recently lost their jobs again, but that does not detract from the basic accomplishment of WPA. The thousands in Maine may be translated into hundreds of thousands for America.

Aside from what WPA and similar agencies did for men and women through the medium of socially useful projects, there was, in the opinion of many, a substantial contribution to general economic recovery. It is argued that the billions spent on all sorts of relief furnished consumer purchasing power to replace that which in good times had come from private industry. This flow of cash into consumers' hands meant the creation of an effective demand for goods and services in all parts of the economy.

If we confine ourselves to Maine, a judgment on this question may be a bit easier to form, although no final answer will ever be given. At the peak of the Maine WPA program between \$600,000 and \$700,000 was spent each month. I took the trouble at the time to ask a number of Maine business men whether their businesses

showed the influence of this "gentle rain of checks." Invariably their answer was that their sales had increased as a direct result of Federal spending, that they in turn were increasing their purchases from wholesalers and manufacturers and that this certainly meant added private employment and general recovery.

I do not doubt that the injection of Federal funds into the markets of the Nation did stimulate purchasing power, and that the process was a distinct help in the emergency. I am furthermore intrigued by the fact that the current business depression started so soon after a sharp retrenchment in Federal relief expenditures. I am intrigued, but I am not arguing simple cause and effect.

The credit side of the Works Program thus consists primarily in the rehabilitation of human beings, achieved through the prosecution of desirable projects. Secondarily the expenditure of funds, made possible through Federal borrowing, probably contributed materially to the recovery movement. These achievements are real and significant. Altogether they constitute a glorious accomplishment on the part of the American people.

None of the criticisms that follow is intended to detract from the general attainment of the Program. Most of the shortcomings of WPA deal with its failure to alter its program to meet new conditions of business revival or with several original defects which became particularly clear in Maine.

One criticism of WPA and other Federal agencies commonly encountered should be considered first. It is frequently argued that a centralized Federal bureaucracy is currently having adverse effects on the standards of public administration in Maine. There is no doubt that WPA in Maine was administered by a Federal employee, even as it is today.

But it should also be stated that Washington WPA was always ready to recognize differences and to make concessions for the several States and the many localities. They did this several times for Maine and never refused a reasonable request for exemption or for special treatment. And to me it is much more important to record that the general standards of honesty in administration demanded by Washington WPA were much higher than those in effect in some of the State agencies concerned with similar matters.

The Gray Fish Hatchery, where WPA workers have built many new pools.



It should be remembered that WPA had no long history which yielded vast experience or a trained personnel. It had to work under great pressure. Its funds were never certain for long periods; its labor supply was unpredictable because of the varying needs of private industry; and its rules and regulations were subject to change with but little notice. The wonder is that it functioned as well as it did in its early stages.

Limitations

In the following discussion of the defects of a works program, WPA is considered pretty much by itself. No effort will be made, for example, to pass judgment on the fact that it is financed by borrowing rather than by taxes. Nor will attention be given to several other economic problems, the proper approach to which might make WPA less necessary. Such matters, however fundamental and interesting, are beyond the scope of this article.

As private industry recovered rather sharply in late 1936 and early 1937, WPA in Maine found itself troubled by situations which did not fit into the general picture of economic recovery. All through the period of my adminis-

tration other shortcomings of the program became increasingly clear in the light of peculiar Maine problems.

The principal limitations to WPA, as seen by a friendly critic, are:

1. WPA on occasion interferes with private employment during a recovery movement.

As business expansion progressed in Maine, WPA as an employer was in some instances offering attractions far greater than those offered by most of private industry. WPA was instructed to pay "prevailing" hourly rates, but such rates could not be determined with precision. Where resultant monthly WPA wages were lower than those in private employment, men still preferred to remain on WPA because their wages were in effect guaranteed for relatively long periods of time. Workers prefer \$10 or \$12 a week, if they are sure of getting it for a year, to \$15 or \$20 a week on a job that might last but a month. Not only was there little danger of unemployment to WPA workers, but there was the further advantage of shorter hours and in some instances the luxury of a more compatible job. And where WPA monthly wages were equal to or higher than those of private industry, the

worker had no reason for leaving. In genuine social security, the laborer was better off if he remained on WPA.

The result was that in some areas, notably in the lumbering sections of Maine during the Spring of 1937, WPA had to persuade men to go into the woods where an acute shortage of labor existed. Generally this persuasion was supplemented by the temporary suspension of WPA projects in the appropriate areas. The men released were likely to complain about wages, hours, and working conditions in the woods. To this complaint, there is an easy answer. The deficiencies of private employment should be met by labor organizations, by social legislation, and by other methods, rather than by an emergency agency like WPA. Moreover, it does not seem socially desirable for WPA to freeze labor at standards and conditions which are so low, when judged in relation to what the Nation's resources afford.

During Recovery

2. Work relief loses most of its value as increasing numbers of employable persons are absorbed by private industry.

Through the recovery in the Spring of 1937 there were several areas in Maine where WPA projects were reduced by the voluntary departure of many able-bodied workers to attractive jobs in private work. The only people left on WPA in such cases were pretty much unemployable. Sometimes only a few old persons remained. When, for example, nine old men were left puttering around an airport that had once employed a hundred persons, the social usefulness of such work was questionable. In such cases direct relief is a better solution than a work project.

Even in less extreme cases there seemed to be a marked tendency at work during business revival. The best men left projects as soon as they possibly could. The remainder, increasingly unemployable, did not accomplish much and were likely to

At Bangor, a fishway to help fish climb the rapids of the Penobscot River.





One of many spans built after the 1936 flood, a footbridge at Brunswick.

change a program designed for the improvement of morale to one of downright demoralization.

3. WPA is undesirable as a permanent reform agency.

The rather widespread movement to make the WPA a permanent device—both in depression and in recovery—for the alleviation of the economic ills of the working population is dangerous. Not only does it interfere with the effectiveness of other and more desirable agencies for improving the status of labor, but it creates an army of Government employees satisfied to live indefinitely at low standards and virtually forbidden to organize or to strike. If this country were at the end of its economic growth, the indefinite perpetuation of such a group under such conditions might be inevitable. But most reasonable observers feel that the prospect for economic growth and expansion is still unlimited in the United States.

Emergency Device

This does not mean that the unemployed should not be given work relief, when there are no jobs in private industry. But it does mean that WPA should be regarded as an emergency device, not as a permanent institution. Real friends of the laboring group look beyond relief.

4. WPA, if perpetuated, may become an agency for the transformation of the American form of government.

One real potential danger in a long-

continued WPA is that it may become a political instrument for the perpetuation of any party that wishes to use it. The present administration, of course, disclaims this intention. But the prospect is present, particularly if the army of WPA workers and their dependents, together with the other groups who now flourish as a result of Government subsidies and payments, act in unison under appropriate leadership. A freely functioning democracy is impossible for any considerable period of time if a mass of people have vested interests in the continuation of Government grants.

Recent world history is full of instances where instruments and opportunities created by men of good intention were used by others for purposes wholly displeasing to the originators.

5. WPA has relatively small economic pertinence in rural areas.

One important limitation to WPA's effectiveness in Maine appeared clearly when many agricultural areas of Maine enjoyed pre-depression good times in the Fall of 1936. In spite of the recovery in farm income in these areas, the demands for WPA assistance were not reduced.

WPA, it has always seemed to me, is best suited for urban areas where people live on money incomes derived from industrial—rather than agricultural—pursuits. In many parts of Maine, making a living is a succession of occupations carried on by the

worker for himself and for others—planting, haying, Summer tourist work, road work, harvesting, fishing, hunting, and the like. For many workers money income is only part of the story, since there is so much income in goods and services.

In depression, WPA is likely to drag many people out of a way of living only half pecuniary into a full money economy. When prosperity returns, the workers have been trained in other ways and have learned to like them. They want to stay on WPA permanently. Because of this, direct relief and grants for farming purposes are far superior to work on WPA projects. It is true, of course, that millions of dollars were spent in the Maine rural areas on direct relief and loans to farmers, but for some reason the effects of these expenditures did not percolate through to the low income group, and WPA found itself faced with a persistent demand for continued assistance.

Economic Future

6. WPA should not be introduced in areas that have no apparent economic future.

In Maine, as in other parts of the country, there are localities which have been going down-hill economically for years and which have no discernible futures as places where people can continue to make a living. Because of shifts of industry or the exhaustion of natural resources, there are no prospects of industrial or other employment. The best solution to unemployment in areas like these is direct relief in the short run, and eventually the encouragement of wholesale emigration to other parts of the State or Country where jobs may more reasonably be expected. Work on projects is futile. There is no point in building roads which will soon lead to nowhere. Unless this attitude is taken, a disservice is done the workers remaining in the stranded areas, for they are being kept from moving to places that offer more promise. Delay in moving the young people from such stranded

localities is particularly dangerous.

7. WPA unintentionally gives the perennial pauper a treatment superior to that accorded other unemployed persons.

As administered, WPA required in effect that persons must have received direct relief or be in need of relief to be eligible for employment on the program. The Act of 1935 emphasized the actual receipt of relief or work relief at a specified period as the basis for eligibility. Subsequent acts made persons in actual need eligible even though they had not received relief. And of course, WPA was designed for employable people, however hard it is to define employability. Those who satisfied these requirements most successfully were the persons who have

and they never leave. These perennial career-men tend to lower the efficiency of the projects, even when assisted by superior workers; and they make the whole approach futile when they constitute the entire working force.

Family Responsibility

8. WPA and other recent relief programs have had unfortunate effects on the sense of family responsibility.

I have no doubt that in 1933, families, charities, and local governments had neither the resources nor the borrowing capacity to meet the stupendous relief problem existing in this country. The Federal Government was the only agency resourceful enough at the time to meet the challenge. Thus the Federal Government entered to cope with

As with families, so with States and local governments. In general the area of responsibility has widened during the past decade. Individuals have looked to their families, families have looked to the towns, towns have looked to the States, States have looked to the Nation. And the Nation has emerged with a tremendous problem which it cannot shift.

These are some of the principal defects of the WPA as it entered a period of business recovery—a period which now has been succeeded by another depression and increased unemployment. These observations are based on my own experiences over 23 months. I do not pretend that they apply to all States or at all times. Nor do these comments in any sense detract from the admirable achievements of the Works Program. They are the comments of one who would like to see continuous progress in meeting the problem of unemployment.

Changing Conditions

It would be absurd to think that in an economic world of dynamic change any method of handling relief can have validity for more than a short period. Economic conditions have changed since 1935 and are continuing to change. The Federal relief program must change also. The ups and downs of business demand adaptation in relief procedure.

But beyond WPA itself, emphasis must be put on the elementary fact that work relief is merely a device for the superficial treatment of the hurts that result from economic maladjustments. As a long-run approach, work relief offers nothing fundamental. On the contrary, if continued too long, work relief is a source of great peril to a country that wishes to keep its freedom.

The problem is more basic than forms of relief and methods of relief administration. It is one of utilizing our natural and human resources to the utmost and dividing the product in such fashion that all who wish work may have it at decent wages.



Part of the development near the new Colby College campus, at Waterville.

always been town paupers and whose ancestors, in some instances, have also been "on the town" for long periods. For years, even for generations before the WPA, these groups have made a career of relief. They certainly did not appear for the first time with the 1929 depression.

I believe these persons should be kept on direct relief and should not clutter up a works program. As it is, they are the first to get jobs on such a program

an emergency problem. But when business recovered, a temporary device had become permanent.

Family groups, in particular, had lost the feeling of responsibility for their own members during depression. Sons and daughters learned that they could shift their responsibility for the care of their parents to various units of government; parents learned the same lesson with regard to their children.



ARBITRATION IN COMMERCE AND INDUSTRIAL RELATIONS

LOUIS K. COMSTOCK

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THE settlement of commercial disputes by arbitrators, or impartial hearers of the facts involved selected by the parties to the disputes, is age old. As early as 350 B.C. we find reference to the existence of a system of administering justice among the Greeks which bears close resemblance to present-day arbitration. Plato, in his "Laws," founded in part upon the actual Athenian and Spartan laws, de-

clares: "There shall be elected judges in the courts who shall be chosen by the plaintiff and defendant in common; these shall be called arbiters."

In the United States the development of arbitration was hampered for many years by the old common law idea of arbitration brought over by the early colonists from England. Because the early English courts were jealous of their jurisdiction, it had been decided

that when two business men had a dispute and agreed to arbitrate either of them, at any time before an award was made, could repudiate his agreement by simply revoking the authority of his arbitrator. In the opinion of the English courts this would make arbitration so unstable and uncertain a procedure that business men would resort to the courts and thus eliminate arbitration as a competitor. Ironically enough, there followed a period during the Revolution when the English courts in New York were in disrepute, and the only form of justice to which the public could appeal were courts set up for arbitration.

The early American courts followed the English precedent, and while contracts gained in integrity and enforcement generally, the contract to arbitrate remained revokable at any time before the award was made. The result was that parties regarded such agreements as worthless at law, as a suit for damage for a breach did not give them the speed, economy, and other attributes of settlement which arbitration affords.

But in the United States the result was not quite what the courts expected. Instead of accepting the legal ultimatum that they could not enter into a legal, binding agreement to arbitrate future disputes arising under contracts, which would be enforceable at law, business men began to organize into exchanges and trade associations for the purpose of self-regulation and self-protection; they saw in arbitration not only a means of economy, but the cement of good-will to hold their new relations together. In the by-laws of these exchanges began to appear regulations binding members to arbitrate instead of litigate their disputes.

Small, private conferences, as shown above, work toward a satisfactory agreement, left. South American lamb skins, sold by a New York broker to a Montreal purchaser, who disputed the quality, were the subject of the meeting. The pictures on this page are the first ever published of a case tried under American Arbitration Association auspices.



This was the situation in 1920, when the enforcement of an arbitration clause in contracts was limited to business exchange and association regulations. But in 1920, business men in the State of New York saw the uselessness to themselves of the old common law on arbitration and demanded relief from the legislature. The legislature responded by passing the Arbitration Statute which makes an agreement to arbitrate in a contract valid, irrevocable, and specifically enforceable. Other

Association since it was organized. Some of these cases have involved only trifling sums or points of disagreement; others have included large financial interests and even the reorganization of the trade practices of a whole industry. The subjects of disputes have ranged from the thickness of pie-plates to the question as to whether the birth of a baby to an actress was a violation of her contract or an Act of God. Basically, however, the application of arbitration has been to the normal conduct of

for the services of the American Arbitration Association in the settlement of labor disputes. As this demand grew it was found necessary to develop new rules and new methods of procedure, without changing the basic principles, for the conduct of industrial arbitration hearings. Thus in October, 1937, after many months of careful research and preparation, the Association announced the establishment of its Voluntary Industrial Arbitration Tribunal. Under its rules the VIAT has been uniformly successful in handling labor disputes. The recent ruling of the NLRB to the effect that "the refusal of an employer to embody in a signed agreement any understanding that may be reached constitutes a failure to bargain collectively and constitutes an unfair labor practice within the meaning of the National Labor Relations Act" emphasized the importance of the VIAT and the advantages to all parties to be gained by including arbitration clauses in labor agreements.

Principles

The outstanding principles underlying the organization and administration of the VIAT are briefly these:

It is an entirely non-official, non-partisan, and non-profitmaking agency for the adjudication of labor disputes. It offers its facilities on precisely equal terms, under equally fair conditions, to both management and labor. It provides a panel of arbitrators chosen solely for their integrity, impartiality, and competence. From this panel the parties make their own selections, rejecting those not acceptable to them.

When three arbitrators are required, unless the parties insist upon each appointing an arbitrator, all three are selected by mutual agreement from the lists submitted by the Tribunal. In contracts where the parties are each required to name an arbitrator, the Tribunal endeavors to break down the idea of appointing advocates and endeavors to have the parties name impartial arbitrators from the panel, thus making the three arbitrators wholly



All sorts of labor questions are arbitrated by the VIAT: for example, "Should shoe workers receive more when a last is changed?" (This point did not arise in the plant shown here.)

States soon followed the lead of New York by passing similar laws, and in 1925, a Federal Statute giving the same relief was passed. Today the American Arbitration Association maintains a panel of more than 7,000 arbitrators, all of whom serve on an honorary basis without fee, and facilities for conducting arbitration hearings in more than 1,600 American cities.

Many thousands of disputes have been settled by the Tribunals of the

business and trade. Thousands of contracts in existence, and hundreds more being drawn every day, contain arbitration clauses which assure for their signers an even flow of business relations and guarantee speed, justice, and economy in the settlement of any differences which may arise during the life of the contracts.

With the ever-growing use of arbitration clauses in commercial contracts there developed an increasing demand



GALLOWAY

TYPICAL CLAUSES FOR LABOR ARBITRATION AGREEMENTS

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These clauses, chosen from the many in effect in labor agreements which make use of Voluntary Industrial Arbitration Tribunal services, provide for methods of procedure in case of future disputes.

IF ANY controversy or question arises which threatens the friendly relations existing between the parties to this contract, and for which no provision for arbitration has been made, either party may apply to the American Arbitration Association for such services as will tend to avert the violation of the contract or to promote its amicable observance or facilitate the peaceful changes to be effected thereunder.

IF ANY controversy arising under this agreement cannot be adjusted by the parties, a board of arbitration shall be appointed in the following manner: an equal number of members shall be selected by the Company and by the Union in such number as they agree upon; and if they cannot agree upon the additional or odd member, the American Arbitration Association is authorized, upon the application of either party, to appoint such additional member in the manner prescribed in its Rules of Procedure; and the decision of a majority shall be *final* and *binding* upon the parties.

IN THE event of any dispute between the Company and the Guild arising under this agreement, or as to the validity thereof, or as to the interpretation thereof, or as to a claim of breach thereof, or a breach thereof, either party may demand arbitration as follows:

The party desiring arbitration shall notify the other party in writing of its intention to arbitrate and shall, in such notice, designate by name and address one arbitrator. Thereafter and within one week from the receipt of such notification, the recipient thereof shall inform the other party in writing of the name and address of its arbitrator.

The two arbitrators so chosen shall designate a third arbitrator to act with them. In the event that within one week after the appointment of the second arbitrator, the two arbitrators shall not have agreed upon the third arbitrator, such third arbitrator shall then at the request of either of the two arbitrators, be appointed by the Arbitration Committee of the American Arbitration Association. Such third arbitrator shall not, however, be affiliated with, connected with, employed by or financially interested in, any labor, employer or trade association, or any phase of the industry, nor shall he have had such employment, connection, affiliation or interest in the past.

It is mutually agreed by the parties here that the decision of any Board of Arbitration chosen as hereinabove provided, shall be final and binding upon the parties hereto, and the parties agree to abide by such decision. The expense of the third arbitrator shall be borne equally by the two parties. Such arbitration shall be conducted in accordance with the rules and regulations then prevailing of the American Arbitration Association.

impartial judges. Every precaution is taken to designate impartial arbitrators acceptable to both parties. The Tribunal is wholly voluntary in that parties, of their own volition, elect to use its facilities. Only when its services are requested does the Tribunal function and then only in the manner and to the extent to which the parties agree.

Proceedings in the Tribunal are based on contracts or agreements. There must be a contract containing a clause authorizing arbitration, or the parties must have agreed to submit an existing dispute to arbitration before the machinery for settlement is set in motion. The Tribunal is not a permanent board of arbitrators to hear and determine any or all cases. A board of arbitrators is selected in each case in accordance with the requirements of the parties in each particular controversy.

It is important not only that labor agreements and contracts contain arbitration clauses, but that those clauses themselves be well drawn and effective. By an effective arbitration provision is meant one which covers fully the interpretation and application of the contract, which can be invoked immediately when the parties or their representatives fail to adjust a claim, which both parties trust, which can call into action immediately an impartial person, or persons, and for which arbitration machinery is at hand to carry on the proceedings without loss of time.

Swift Procedure

Time is one of the most important elements in a labor dispute. A procedure which gets a grievance before an adjudicating body before stoppage of work can occur, which can arrive at a decision speedily so that there be neither lock-out nor strike, which is known to move so fast that workers are willing to wait for a decision to come through, which is so fair that it will be accepted immediately by both sides, and which costs little, is the kind of procedure which both industry and

unions want. That is the kind of procedure which the VIAT has sought to set up. It is national in scope, not restricted by State lines, so that firms and unions may get identical treatment throughout the country.

In order to secure these advantages, however, it is necessary that the arbitration clause used be fool-proof. For that reason the American Arbitration Association has prepared the clauses which appear on the opposite page. They have been perfected in actual experience and are typical of those now being used.

Typical Cases

Typical of some of the cases which have been brought up before the VIAT, and the decisions of the arbitrators, are the following:

In one case the question at issue was: "Have shoe workers the right to receive increased pay when a last is changed?" The union in the case contended that shoe-making under the new last was more difficult and resulted in a loss of production for each worker of three pairs of shoes per day. The employer contended that the loss was only one and one-half pairs per day. At the time of the arbitration no work was being done with the new last so no practical test could be made. The arbitrators relied upon testimony, including that of employees who had produced shoes on the new last. Upon conclusion of the testimony the arbitrators found that the average loss was two pairs daily and allowed an extra amount of pay for each pair of shoes produced to cover the loss. The decision, however, related only to past work and was not applicable to new work except under a new agreement. Both parties were satisfied with the decision and a strike was averted.

In another case the question placed before arbitrators for decision was: "Is the principle of seniority applicable when not specified in a labor agreement?" In this instance an employer made a decision as to which of two men he would let go when a cut in

his force became necessary. He had a personal preference for one of his men, but the question of seniority was raised by the union. As both men were members of the union in good standing, and no bias or discrimination had been alleged, competence being the sole issue, and as both men had been employed for about the same length of time, the arbitrators held that the seniority rule should not apply, especially in view of the fact that there was no seniority provision in the agreement with the union. It was also taken into consideration that the shop was a small one and that the personal relations between the employer and employee were friendly. The employer was permitted to retain the employee of his choice. Here again a friendly settlement was arrived at quickly. Any other method might have produced ill-will and possibly a strike which in proportion would have been just as disastrous to the small shop as to a larger one.

Points at Issue

Other questions, all taken from the VIAT docket and involving in some instances just a few employees, in others many hundreds, have been these:

Under what circumstances may an employer refuse to re-employ a workman after a strike?

Are employees morally justified in continuing to work when a strike is called by the union of which they are members?

When an employee is transferred from one department to another, taking the place of a laid-off employee and of union men still unemployed, is such an employee to be classed as "new help"?

Under what condition is an employer required to fill a vacancy upon demand of a union?

When an agreement provides for layoffs or reduction in time during certain months of the year may the employer extend it to other periods of the year when business is slow?

(Continued on page 42)



GALLOWAY

EARMARKS OF COMMERCIAL FRAUD

A. M. SULLIVAN

Associate Editor, DUN'S REVIEW

IT HAD been a discouraging day to Everett Barton. Barton was not exactly the quota buster of the Halcyon Crockery Company, but a plugger who never overlooked the opportunity of making a sales call, nor ever forgot the rumor of a prospect in the neighborhood. He had received a tip that the Hermes Sales Corporation was setting up a small chain of general merchandise stores in the Middle West, and was buying heavily to stock the stores. He had never been able to sell Harper, the purchasing agent, but Harper had resigned. Barton's smoking car confidant said a new man was now doing the buying, a fellow by the name of Davis, a live wire from Chicago or St. Louis, he didn't exactly remember.

Barton hurried to the offices of the Hermes Sales Corporation and found it busier than the swarm around a new queen bee. A lot of competition here, thought Barton, not so hopeful, but he sent in his card. There were half-a-dozen salesmen ahead of him—Burke, the district salesman for the Bender

Rubber Company, was there with his samples of garden hose, and Fred Halton, who represented a paint and varnish manufacturer, and Hyman, with a big case of auto wax samples, who was as nervous as a cat, with his eye on the information desk. The girl came back from the purchasing agent's office and said, "Mr. Davis will see you, Mr. Barton, will you please wait?"

A Large Order

Half-hour later Barton walked down the street, his toes scarcely touching the high spots of the pavement. He had an order for \$1,800 worth of crockery—his biggest order in five months. That would put him over the quota for the year and right back with some of the big-volume boys. So he hurried back to the hotel and sent in his order air mail. "I've promised delivery in ten days," wrote Barton, "and Mr. Davis said he might cancel the shipment if it isn't at his warehouse by that time."

Three days later Barton opened a

letter from the boss, and his complexion paled. "Damn the credit manager, why should he hold up that order for a credit report? Hermes Sales Corporation is as good as gold, in business for years—now we'll be late on delivery—Davis will get sore and cancel the order—just my luck." The next day Barton met Burke in the railroad station. "Swell guy, that new head buyer for Hermes. Gave me a sweet order. Little high pressuring and I got him to double up on garden hose." Burke chattered on, then noticed signs of despair settling over Barton's brow. "Didn't you sell him?"

"Yes," replied Barton, "but we didn't ship him. Our credit man bites every nickel he gets in change—wouldn't sell St. Peter without reports, trade references, and all that bunk. Did you ship him?"

"Did we? I wired the order, and the car left the siding the following night. Probably unloaded this morning. Can't understand why anyone would question Hermes—in business for years and

just taking advantage of goodwill and prestige to increase their outlets and expand sales volume. That's smart merchandising, Barton."

"And me out in the cold."

"Sorry, here's my train. Better luck next time, pal."

Six weeks later post office inspectors raided the Hermes Sales Corporation, and arrested six men, including "that swell guy, Mr. Davis, the purchasing agent." Then Everett Barton found out why his order for \$1,800 worth of crockery never became a sale.

Mr. Davis and his associates had purchased the goodwill and assets of the Hermes Sales Corporation a month before Barton had called on them. Davis was the leader of a notorious swindle ring, which made a practice of buying established concerns with a favorable credit standing, and then exploiting the reputation and wrecking the company within a few weeks' time.

The incident of salesman Barton and the Hermes Sales Corporation is based on an actual credit fraud in which \$450,000 in merchandise was received and disposed of in less than two months. As fast as the merchandise was received it was reshipped to confederates and sold at half of its purchase price through underground channels. The "Midwestern chain" was an adroit rumor. The Hermes wrecking crew was prepared to abandon their enterprise, but the postal inspectors, tipped off by a credit reporter and suspicious credit managers, stepped in a few days ahead of the scheduled getaway. Mr. Davis and his friends went to jail for five years, it being Davis's second term in the penitentiary for the same type of offense.

Normal liabilities through bankruptcy average about a million dollars a day, and a good guess is that American creditors salvage about one-third of their damaged capital through liquidation proceedings. The net loss is part of the daily business risk, but no one can hazard a guess at the leakage in profits and capital which is drained away by deliberate credit crooks—

specialists who have a series of time-tested formulas for baiting the shipper into releasing his merchandise. Some crooks find that a lone wolf has fewer tracks to follow than a ring, and work by themselves, but a ring, when operated by specialists, makes bigger killings.

The Wily Poacher

The credit poacher is a fair student of human nature. He knows the problems of sales and credit departments. Modern business, geared to make profits out of mass production and nation-wide markets, puts a constant incentive before management to secure more and more sales. Depreciation attacks idle machinery, or unmoved merchandise. Unit overhead costs diminish as this expense is spread over greater volume. There is the constant desire to ship every possible order received. The business man is aware of normal risks and is guided by his established loss ratio, but there is always the temptation to take a chance on small orders, particularly when the order can be filled from stock which

may be subject to rapid depreciation.

The credit fraud ring employs these patent devices:

1. Impressive name styles such as American, International, United, Nonpareil, Amalgamated.
2. Imitation of well-rated names, and mailing addresses on the same street.
3. Purchase of a medium-sized concern with a favorable rating. The name of the concern is what they really want.
4. Fake references.

The individual crook may use these devices too, but he also employs many trade styles and registers them. He prints impressive letter-heads. Some of his tricks to obtain merchandise are:

1. Sample orders, ostensibly as a forerunner to large orders.
2. COD orders to be shipped a long distance, involving a substantial loss for return shipment.
3. Prompt payment of the first order, perhaps the second. Then a substantial order is placed and not paid for.
4. Discounting of invoices to a small group of suppliers, who will be used as references when the time is set for the scattering of orders over a wide front.

With attractive stationery, sufficient postage stamps, a stock of manufacturers' catalogs, and moderate patience, a small operator may fraudulently win a comfortable living. For a long time he may even operate with considerable immunity if he keeps his orders small and moves about frequently. The law



GALLOWAY

of averages may be his enemy in the long run, but it is a friendly abetter in his operations. Working from a small store, or office, or even desk room, he gathers in his ill-gotten gains on amounts which are often too picayune to warrant strenuous collection effort. The man who takes a chance and is stuck on an unsolicited order that came in the mail is not very talkative about his lack of judgment.

Faked References

And here let us illustrate the technique of frauds with specific incidents. First, we observe a swindle ring which deceived many shippers by the use of faked references. In our "Exhibit A," we shall call a young radio shopkeeper Mr. Adams. (All of the names mentioned are fictitious.) This young man had some education in the formula of "failing for profit" when his father went through bankruptcy and managed to conceal enough assets for future business enterprises. On the third attempt his father went to jail, but the son received a suspended sentence. Adams, Junior, started out on his own in Pennsylvania and New Jersey as the Primeval Sales Company, and took in three confederates, all experienced in wholesaling. One of them owned a fleet of light trucks. Another was an expert at labeling and packing. The third was nimble at letter-writing and answered requests for trade references, using a wide variety of stolen and faked letter-heads. Adams rented stores on a month-to-month basis. Orders for canned goods and packaged merchandise were scattered far and wide, with a list of references attached. As fast as deliveries were made they were reshipped to a central warehouse, relabeled, and disposed of through underworld channels. The secret of Adams' temporary success was his ability to get away quickly and leave no tracks. When Adams and his three pals tried to expand their formula into larger orders they were caught, and sent to jail but for less than a year.

In "Exhibit B" we observe the ap-

parent immunity of a Mr. Barnet, who operated from 1926 to 1937, with no capital except postage, and the price of letter-heads. His overhead consisted of desk room and mailing privileges at numerous addresses. Barnet posed as a food broker at first, placing orders and then denying responsibility when called upon for payment. Later he began imitating well-rated names. For instance, the Valiant Supply Company, an old established firm rated "\$125,000 to \$200,000" with a record of prompt payment, was closely imitated as the Valiance Supply Company. The National Commodities Company, Inc., became the National Commodity Service. In ten years Barnet used some twenty trade styles and never paid for any orders on the due date.

Threatened with prosecution in a few cases he made settlements of 50 cents on the dollar, or less. Judgments against his various trade styles flew fast and thick, but never collected anything more than dust. Barnet, operating alone, seemed to have ample legal advice on how to evade the law.

Scattered Purchases

When his activities received considerable publicity in the New York area, he began scattering his purchases in Western cities. One order to a St. Louis house for \$800 worth of pickles was shipped, and disposed of by Barnet through his usual underground channels. Prompt action by the Midwestern concern gave the postal authorities the information and evidence necessary, and Barnet went to jail—for six months with two years on probation, a gentle slap for 12 years of high-handed swindling. Barnet cost New York food suppliers over \$100,000 and is again at liberty.

In Exhibit C, Mr. Carter is a gifted letter writer. Mr. Carter had some experience in the apparel trades in New York City, where he experienced two failures in two years, one of which seems to have been profitable. Carter went to Chicago and organized the Carter Apparel Styles Co., although he

opened no store. On the same street, however, was the Carter Apparel Shop, Inc., a large women's and children's store, established for 35 years. Carter placed a variety of orders and made a neat killing in six weeks, until his unpaid bills and protests from the genuine "Carter" made some shippers re-examine orders and note the difference in name and address.

Carter disappeared for a year and then began his "sampling" racket. Using many trade styles, he would write to concerns inviting them to ship a small order, explaining that comparisons must be made before a substantial order could be placed. Frequently he would write or wire an enthusiastic approval of the test order in an endeavor to stampede a larger shipment without ample credit investigation. Carter found that the flattery device was very profitable. Shippers doted on testimonials which might be used by salesmen and advertising departments. Carter was caught eventually, not by any slip-up in his technique of handing out bouquets, but because he was the "whole hog" and would not pay his office rent. The landlord served him with an embarrassing distress warrant, and the publicity led to his arrest by postal authorities. Carter got a year for being dishonest all his business career, and six months for trading punches with an arresting officer.

High Shipping Charges

Mr. David, who is the hero in Exhibit D, operated in the wide-open spaces where freight and express charges are high, and salesmen from distant markets do not call very often. In 1926 Mr. David arrived in El Paso, having served three years in Leavenworth for stealing and selling Government property. Greeted by no local band, but rather with eyes of suspicion, Mr. David scouted around for any means of livelihood except manual labor or other honest effort. Within a few months, David began to blossom forth in fine style with no apparent

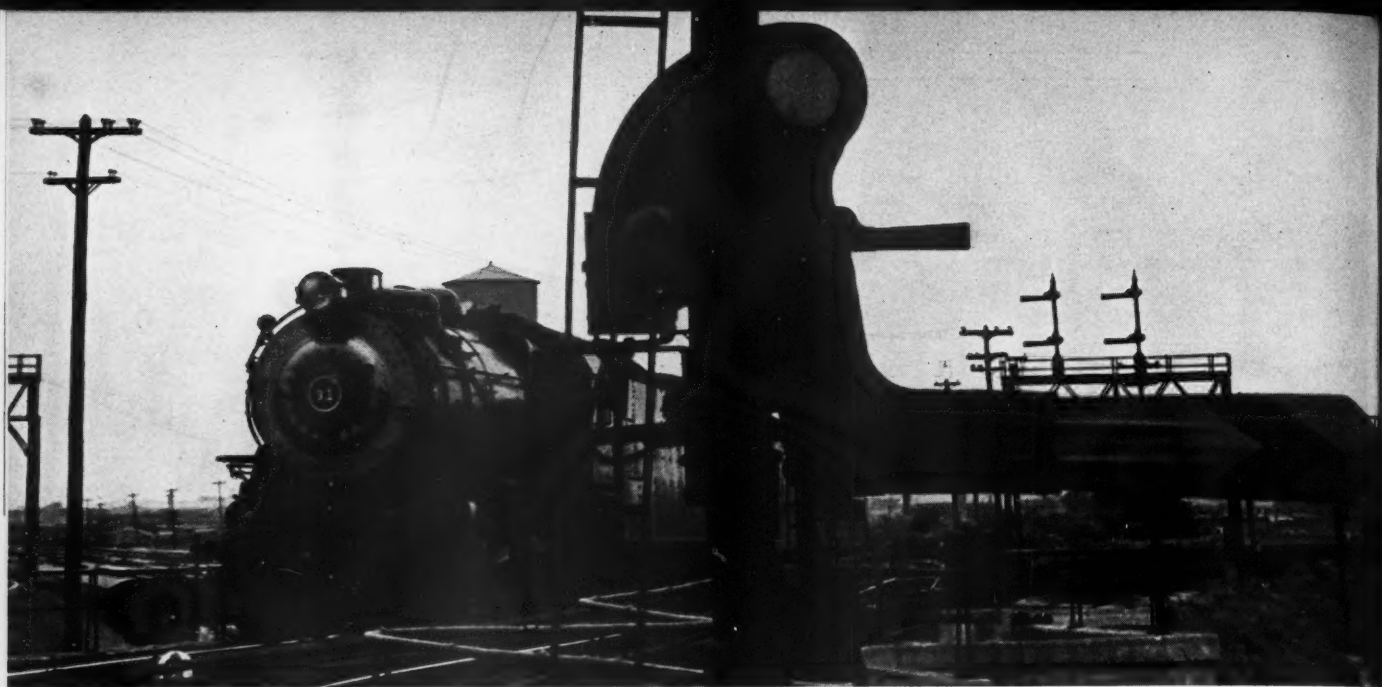
(Continued on page 46)

THE BUSINESS DIARY APRIL · 1938



"Pump-priming," compromise tax legislation, defeated Reorganization Bill, blocking of Wage Bill, Treasury and Reserve System monetary adjustments color business horizon. . . . Strikes disturb State of Michigan. . . . European storm clouds lighten with signing of British-Italian pact, British-French military alliance, and Anglo-Irish accord. . . . Japan suffers losses in China; Spanish insurgents gain, but fail to stage decisive victory.

- 2 TENNESSEE Supreme Court decisions aid TVA and municipal purchase of private utilities.
- 4 PRESIDENT signs resolution for TVA investigation. Supreme Court upholds Louisiana tax on natural gas pumped in interstate commerce.
- 5 ROOSEVELT and Quezon agree to extend Philippine preferential trade agreement to 1960.
- 6 NLRB, in Inland Steel case, rules companies must sign union contracts, if agreement is reached. United States formally recognizes Anschluss; asks Germany to discharge Austrian debts.
- 8 HOUSE kills Government Reorganization Bill. Blum resigns as French premier.
- 9 NLRB rules Republic Steel violator of Wagner Act in "little steel" strike last July; directs reinstatement of 5,000 strikers. New Hampshire Supreme Court upholds power projects incidental to flood control.
- 10 GREATER GERMANY casts 99.08 per cent vote endorsing Anschluss and Hitler policies. Daladier forms anti-Communist cabinet in France.
- 13 PRESIDENT signs bill widening scope of RFC loans to industry. French Chamber of Deputies votes "broad" financial powers to Premier Daladier until July 31.
- 14 FIVE billion dollar expenditure asked by Roosevelt to promote recovery. Treasury "deteriorates" \$1,400,000,000 gold fund. ICC denies rise in Eastern railroad fares. Japanese suffer major defeat in Southern Shantung.
- 15 FEDERAL RESERVE BOARD liberalizes reserve requirements of member banks. SEC amends rules to spur small business. Railroad unions reject voluntary wage reduction proposal. Spanish insurgents reach sea, cutting loyalist Spain in two.
- 16 ANGLO-ITALIAN peace pact signed in Rome.
- 18 SECRETARY MORGENTHAU announces abandonment of gold sterilization policy by Treasury. Eighteen private utilities appeal to Supreme Court to invalidate TVA Act. Republic Steel appeals NLRB decision.
- 19 ITALY accepts French invitation to negotiate agreement.
- 20 ROOSEVELT seeks to stimulate utilities' equipment purchases through RFC loans.
- 22 TAX deadlock broken as Senate-House conferees compromise on modified undistributed profits and capital gains levies.
- 24 HENLEIN, leader of Sudeten Germans, warns Czech Government to meet German demands.
- 25 SUPREME COURT upholds validity of Municipal Bankruptcy Act of 1937; rules invalid Kansas City Stock Yards maximum commission rates set by Secretary of Agriculture on grounds that packers were not given full and fair hearing. President recommends Congress outlaw tax-exempt bonds and public salaries. Britain and Ireland sign three-year trade and defense agreement. Czechoslovakia rejects Henlein demands.
- 26 SIXTEEN business leaders pledge Administration aid for recovery. British income tax raised to 27½ per cent, peace-time record.
- 28 LA FOLLETTES launch National Progressive party. Federal court voids NLRB order to Indiana company, holds unions must respect contracts. President suspends Administration's silver nationalization program. Britain and France agree on defensive alliance, unified commands in wartime.
- 29 HOUSE Rules Committee pigeonholes Wage and Hour Bill. Association of American Railroads vote to ask employees to take 15 per cent wage cut, effective July 1. Brazil nationalizes oil refineries.
- 30 NLRB acts to reopen Ford and Republic Steel cases.



THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

The levelling off of business activity, in evidence since the beginning of the year, was continued through April and early May. Statistics which measure the magnitude of the drop from last year's levels point also to the strides made in restoring balance among elements of the economy.

FOR the most part, business activity during April and early May remained unchanged at the low level prevailing since the beginning of the year. Decreases which occurred in trade and industry were slight and the acceleration downward so sharply reduced that the recent trend appears to be an extension of the sideways movement in evidence during the first quarter.

Industrial Production

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1935	1936	1937	1938
January	90	97	114	80
February	90	94	116	79
March	88	93	118	79
April	86	101	118	78*
May	85	104	118	
June	87	104	114	
July	86	108	114	
August	88	108	117	
September		109	111	
October	95	110	103	
November	96	114	89	
December	101	121	84	

* Estimated.

At this phase of inactivity, of chief interest are those measurements that reveal the progress made in correcting maladjustments which preceded the downturn and which were brought into existence by it.

Comparative rates of decline in production and consumption indicate the extent to which stocks of goods have been reduced and a basis laid for an advance in industrial activity because of the depletion. From August, 1937, to April, 1938, the Federal Reserve Board's adjusted index of industrial production dropped 33 per cent, while primary distribution, measured by the Reserve Board's index of car loadings, declined 28 per cent, and consumer buying, according to the DUN'S REVIEW Trade Barometer, 20 per cent.

The comparisons suggest liquidation of stocks, but, as mentioned last month,

there is evidence that a number of commodities must be excepted from this general trend. Non-ferrous metals, which are significant because of their relation to the building and automobile industries, continue to show increasing surpluses each month. At the end of April, zinc stocks were almost up to the 1933 peak; refined copper stocks the highest since the end of 1934.

Figures on trade inventories at the end of March, the latest available, indicate a reduction compared with those of a year ago. Wholesalers' inventories were 7 per cent lower than in March, 1937, and department store stocks, measured by the Federal Reserve index, were 9 per cent lower. Yet the reduction appears to have been at a somewhat slower pace than the decline in sales—which may indicate that present holdings, though lower, are not justified by the current volume of buy-

Factory Payrolls

U.S.B.L.S. Index
1923-1925 = 100

	1935	1936	1937	1938
January	65.0	73.8	90.7	71.6
February	70.0	73.7	90.7	73.2
March	71.7	77.6	101.1	73.3
April	71.7	79.3	104.9	70.5*
May	69.4	80.8	105.2	
June	67.4	81.1	102.9	
July	66.5	80.6	100.4	
August	71.0	83.5	103.3	
September	73.7	83.6	100.1	
October	75.6	80.0	100.1	
November	75.6	90.7	89.5	
December	77.6	95.2	80.9	

* Preliminary.

ing. Unadjusted for the changing date of Easter, department store sales were 14 per cent less this March than last, and wholesale sales 17 per cent less.

Although decreases in prices were partly responsible for this lower volume of sales, the drop reflects in the main a curtailment in spending occasioned by the decline in consumer incomes. Income payments in the first quarter of the year showed almost no change from month to month, but were 5 per cent below those for the corresponding period of 1937. In April, factory payrolls were 33 per cent less than in April of last year. Farm income, including Government payments, was down 14 per cent in the first quarter and 15 per cent in April, compared with the same periods of 1937.

That the loss in buying power has been somewhat less drastic than the actual drop in earnings is evident from a glance at costs of consumer requirements. According to the Fairchild in-

less abruptly, but in April were 16 per cent lower than their level of a year ago. The index of finished goods prices, like the Fairchild measure of retail prices, was down 5 per cent in the year. Of the various groups of commodities, fuel and lighting materials alone were still at their April, 1937, level.

The trend of labor costs is more difficult to appraise because of variation in the efficiency of labor. The curtailment in employment and in payrolls per employed worker has been sharp, but there is little indication as yet that this reflects any significant adjustment in wage rates: hourly earnings in 25 in-

profits have continued to expand up to the present. Outstanding examples are the baking and aircraft industries with gains of 50 per cent and 78 per cent, respectively, in the profits of major firms during the first quarter of 1938 as compared with the corresponding period of last year. Low wheat

Industrial Stock Prices

Dow-Jones Index (Weekly Average)

Week	Feb. 1938	Mar. 1938	Apr. 1938	May 1938
I	121.80	128.86	103.04	114.09
II	127.48	122.35	108.43	118.09
III	126.20	122.44	115.50	
IV	131.12	113.60	116.97	
V			113.30	

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	Feb. 1938	Mar. 1938	Apr. 1938	May 1938
I	78.1	78.8	78.8	77.9
II	79.6	79.8	78.5	77.8
III	79.4	79.5	78.6	
IV	79.6	79.2	78.6	
V			78.3	

prices and adjustments in labor costs have played an important part in sustaining earnings of the former group; high sales volume, the latter.

Financial markets continued to mirror the dullness of trade and industry. Led by utility and aviation groups, stock prices rebounded from the March lows and by the middle of May had recovered half of the March loss. Bond prices also rallied, gaining about 5 per cent on the Dow-Jones averages during the month and a half. However, trading remained dull, and commodity markets failed to show any comparable strength in prices.

Following the mid-April reduction in reserve requirements, member banks' surplus reserves increased \$750,000,000 in four weeks. Investments in U. S. Government bonds and obligations consequently jumped \$240,000,000, reversing the downtrend in effect since the increase in reserve requirements last May. Holdings of other types of securities showed little change of trend; commercial, industrial, and agricultural loans declined another \$138,000,000 in the period; but there were signs that the huge backlog of idle funds was having some effect on the new capital market. Demand for the major new issues was vigorous, and the amount of financing in the offing was reported to be the largest in many months.

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1935	1936	1937	1938
January	76	81	93	90
February	77	83	93	89
March	79	84	93	85
April	75	82	93	83*
May	74	82	93	
June	79	87	93	
July	80	91	94	
August	77	86	92	
September	81	88	94	
October	81	90	93	
November		94	91	
December		92	89	

* Preliminary.

dex, retail prices on May 1 were down for the eighth consecutive month and 5 per cent less than on May 1, 1937. The NICB cost of living index, which has been declining since its peak in October, 1937, rose fractionally from March to April because of an increase in food prices, but was 2 per cent lower than in the corresponding month of last year.

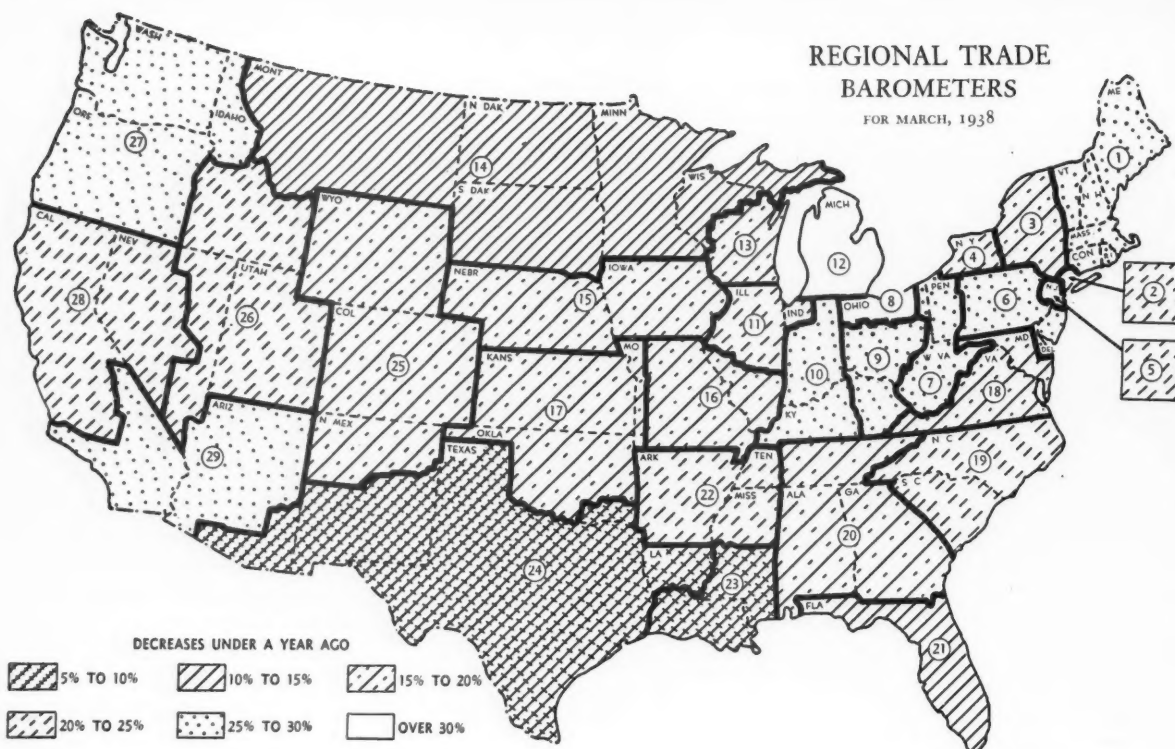
Raw material costs, measured by the BLS wholesale price index, have dropped sharply since the peak last year; in April they were 20 per cent lower than in April, 1937. Prices of semi-manufactures have fallen somewhat

dustries, computed by NICB, were only 0.4 per cent below the 1937 high at the end of March.

The month brought no solution to the problem of the railroad industry, which continues to be a notable example of maladjustment between costs of operation and earnings. Operating expenses and taxes of Class I roads during the first quarter of 1938 were somewhat below those for the same period of 1937, but gross operating revenues were off so much more abruptly that net income was down 87 per cent.

There is evidence enough that the general level of profits of companies engaged in industry and trade has fallen sharply below the 1937 level. Net profits of 280 leading companies, compiled by the National City Bank, showed a 68 per cent drop in the first quarter of 1938 in comparison with the same period of 1937.

It is apparent, however, that the amount of decrease has been by no means uniform, and that there have been important industries in which



TRADE INDEX LOWER IN APRIL

Consumer spending in April increased by less than the usual seasonal amount, and the Trade Barometer dropped to 76.8 (preliminary). Prepared by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc., the Trade Barometers are adjusted for seasonal variation and the number of days in the month.

THE stimulus to trade usually afforded by Easter purchasing failed this year to stem the downward drift of the index of consumer spending. With seasonal adjustment but without correction for the influence of Easter, the United States Trade Barometer declined from 79.4 in March to 76.8 in April (preliminary). Three of the factors in the index were higher in April, but with advances smaller than those usually made at this season of the year; the fourth factor, bank debits, failed to make any gain during the month.

April consumer expenditures, which included a substantial volume of Easter trade, still fell below April, 1937—when Easter trade was past and gone. The best that can be said is that in comparison with the corresponding period of last year it showed up better than March did. In March, the trade barometer was 23 per cent lower than in March, 1937, while in April

it was down 19 per cent compared with April, 1937.

A truer indication of the present level of spending in comparison with the past is perhaps afforded by a review of the March-April indexes of recent years. At 78.1, the average for these two months in 1938 is considerably below composites for the same months in 1937 and 1936; about 3 per cent below these months in 1935.

As in industrial activity and payrolls, the curtailment in consumer spending appears to have been somewhat sharper in this recession than in the first year of the last. From March, 1929, the peak month of the period, to April, 1930, the trade barometer fell 13 per cent; from March, 1937, the high month for this cycle, to April, 1938, it dropped 26 per cent. Price declines, of course, affect dollar-volume, but in these two recessions they appear to have occurred at the same rate: the NICB cost of living index falling 1.4 per cent in 1929-1930, and 1.3 per cent in 1937-1938.

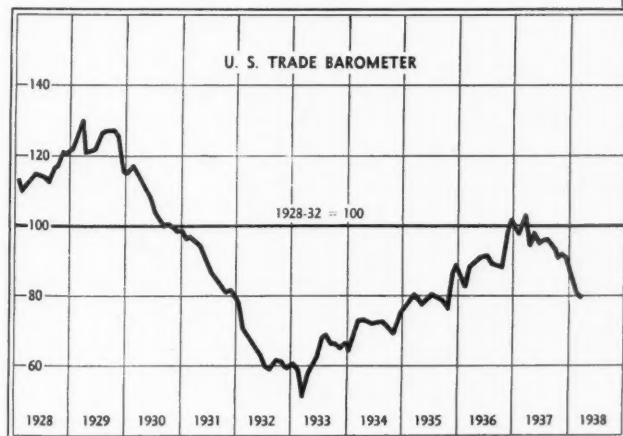
From the regional map opposite, it is apparent that the extent of the trade decline has been by no means uniform throughout the country. In the South, for example, the Texas, New Orleans, and Florida regions average less than 10 per cent below the corresponding month of last year, and are still above all other years since 1930; while in the Northeast and Great Lakes areas, the regions average 27 per cent lower than a year ago, and in many cases are as low as their March, 1934, levels. As was pointed out last month, these differences can be explained in a broad way by the relatively greater decline in industrial payrolls than in agricultural income.

Latest reports on trade, covering April and early May, reveal little change in the regional pattern. Easter buying was a factor in raising sales above the corresponding period of last year in some cities, but in May volume again fell behind. House furnishings and electrical appliances were most frequently reported to be weak lines, while sporting goods and women's ready-to-wear remained comparatively strong.

THE MAP AND TABLE compare the March, 1938, indexes with those for the same month a year ago. In the column at the extreme right of the table there is indicated the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions (charted, with U. S., from 1928, on pages 30-33; figures for April, 1937 through March, 1938 on page 30) are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for March based on samples of department and retail stores reporting to the Federal Reserve banks; for April and the first half of May based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices in making up their estimates.



REGIONAL TRADE BAROMETERS

REGION	March 1938 Regional Index	March 1938 Compared with March 1937 (%)					Retail 1935 Sales %
		-30	-20	-10	0	+10	
U. S.	79.4						100.0
1. NEW ENGLAND	70.3						7.8
2. NEW YORK CITY	66.4						10.3
3. ALBANY AND SYRACUSE	78.5						2.6
4. BUFFALO AND ROCHESTER	70.7						1.9
5. NORTHERN NEW JERSEY	72.5						2.9
6. PHILADELPHIA	70.2						6.2
7. PITTSBURGH	75.9						3.7
8. CLEVELAND	73.6						2.9
9. CINCINNATI AND COLUMBUS	81.5						3.1
10. INDIANAPOLIS AND LOUISVILLE	85.1						2.6
11. CHICAGO	83.8						6.4
12. DETROIT	67.8						4.0
13. MILWAUKEE	90.8						2.2
14. MINNEAPOLIS AND ST. PAUL	87.5						4.5
15. IOWA AND NEBRASKA	70.6						3.0
16. ST. LOUIS	77.0						2.5
17. KANSAS CITY	85.3						3.6
18. MARYLAND AND VIRGINIA	89.5						3.8
19. NORTH AND SOUTH CAROLINA	90.2						2.1
20. ATLANTA AND BIRMINGHAM	97.1						3.5
21. FLORIDA	100.6						1.3
22. MEMPHIS	89.9						1.5
23. NEW ORLEANS	95.3						1.0
24. TEXAS	103.1						4.5
25. DENVER	96.6						1.3
26. SALT LAKE CITY	81.2						.8
27. PORTLAND AND SEATTLE	76.9						2.7
28. SAN FRANCISCO	77.4						3.4
29. LOS ANGELES	76.6						3.9

REGIONAL TRADE BAROMETERS - - - - - REGIONS 1-5

REGION	U. S.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1937															
April	94.7	85.3	83.3	92.4	85.7	87.2	89.9	99.4	100.5	103.5	111.9	98.0	97.0	106.7	102.5
May	98.6	88.9	86.1	97.1	89.2	92.6	99.5	102.4	108.0	109.9	109.7	100.9	105.8	105.7	103.0
June	95.1	85.6	83.5	93.7	84.9	82.4	91.4	97.9	103.6	105.3	107.8	97.3	103.6	99.7	95.8
July	96.2	83.7	86.8	97.2	80.5	90.1	91.0	97.3	104.4	107.8	116.9	97.4	115.5	99.4	101.4
August	96.3	80.0	86.2	96.3	80.5	91.0	93.3	104.2	105.8	111.1	113.0	96.0	108.9	99.6	98.9
September	93.8	81.4	84.2	95.2	85.7	87.6	88.3	99.7	104.0	110.1	109.3	91.9	110.3	100.0	100.3
October	90.6	77.3	78.9	92.1	83.2	83.2	83.3	92.8	101.2	108.0	105.1	87.8	107.1	99.3	99.0
November	92.3	80.8	78.7	92.9	82.6	82.7	86.5	90.5	87.6	98.4	103.1	90.3	92.0	98.1	98.7
December	91.2	78.7	79.5	89.8	81.5	81.2	85.3	93.5	85.3	95.3	100.7	92.3	85.9	97.6	93.0
1938															
January	84.8	76.0	73.5	85.9	78.0	75.3	76.1	80.7	80.9*	90.8	92.9	89.1	76.9	92.8	93.8
February	80.2	74.0	71.0	83.2	74.5	74.9	72.6	78.0	78.6	88.6	87.7	81.8*	72.7	87.4	89.2
March	79.4	70.3	66.4	78.5	70.7	72.5	70.2	75.9	73.6	81.5	85.1	83.8	67.8	90.8	87.5
1937															
April	87.6	94.6	97.4	105.6	103.5	108.2	120.5	98.7	97.3	111.7	113.6	101.3	99.0	99.1	103.0
May	82.8	97.2	102.0	109.9	116.0	112.7	114.9	96.7	101.4	116.5	116.8	106.9	99.3	101.7	97.9
June	84.7	91.9	98.9	108.0	111.7	111.3	120.5	96.2	98.4	113.0	107.5	103.9	105.1	97.6	99.1
July	88.2	99.9	102.3	106.6	107.0	110.1	108.0	92.6	95.9	117.5	112.7	100.5	97.9	100.0	100.9
August	85.1	90.8	102.6	105.5	107.8	112.1	120.4	96.9	106.1	119.6	111.4	106.4	99.6	101.9	100.8
September	88.4	90.3	97.1	108.1	110.5	109.6	114.7	98.3	104.4	115.0	108.3	106.4	96.1	95.1	94.1
October	78.5	97.2	92.7	102.8	100.4	101.5	118.8	94.3	95.4	106.9	110.1	99.8	91.6	93.8	95.6
November	76.4	90.3	92.5	105.2	95.9	101.6	112.1	86.9	95.5	110.0	107.7	97.3	90.3	100.6	99.4
December	81.4	90.0	98.4	105.0	103.6	109.5	110.3	94.3	105.0	114.7	105.0	98.6	87.6	97.0	94.2
1938															
January	86.9	90.8	95.7	95.6	99.1	99.6	99.5	89.1	92.7	115.8	97.5	80.2	83.7	88.3	87.4
February	76.1	80.9	87.3	93.2	92.0	102.5	100.5	85.8	94.2	110.5	95.9	88.9	80.6	82.0	84.0
March	70.6	77.0	85.3	89.5	90.2	97.1	100.6	89.9	95.3	103.1	96.6	81.2	76.9	77.4	76.6

* Revised.

I. NEW ENGLAND

MAR., 70.3 FEB., 74.0 MAR. 1937, 94.5
MARCH—Percentage department store sales decreases from previous March: Boston 10, Providence 3, New Haven 9. APRIL—Percentage retail trade changes from previous April: Bangor —10, Portland-Hartford-New Haven —15, New Bedford —12, Springfield-Providence —20, Boston-Manchester +5, Worcester +10. Wholesale trade decreases: Boston 15, Portland-Springfield 20. Payrolls and production below year ago; on the whole unchanged from March, although healthier tone evident in such lines as semi-finished metals, shoes, and leather. Collections slower than year ago. MAY—Industrial activity unchanged; prices of principal raw materials firm. Retail trade again below year ago in all reporting centers.

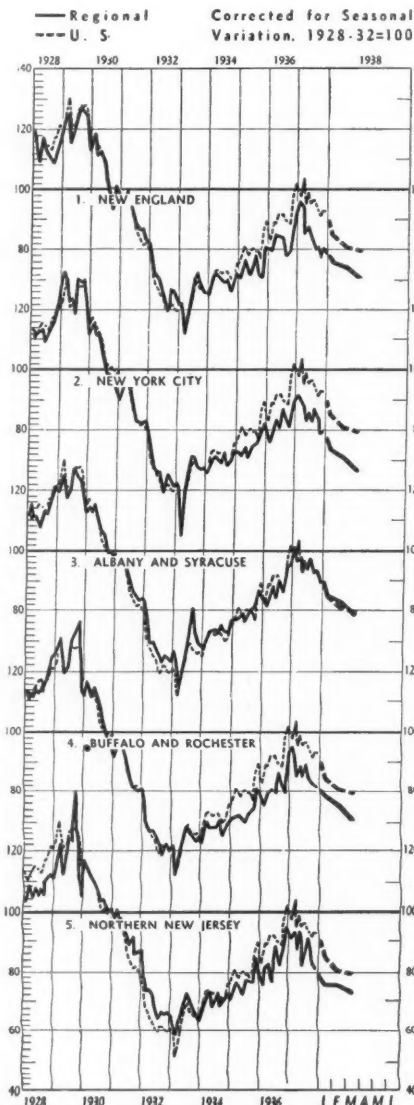
3. ALBANY AND SYRACUSE

MAR., 78.5 FEB., 83.2 MAR. 1937, 97.0
MARCH—Percentage department store sales decreases from previous March: Syracuse 6, Northern State 5. APRIL—Percentage retail trade decreases from previous April: Albany 15, Binghamton 5, Gloversville 5, Utica 8; Syracuse up 3%. Wholesale trade decreases: Albany 15, Syracuse 8. Pasture conditions excellent; favorable weather has slightly advanced planting season. Payrolls and production below year ago. Some further curtailment in textiles, but inventories now well reduced. Binghamton shoe output still off 30%; business machine and camera companies working full time. Collections slower than year ago. MAY—No noticeable change in industry. Retail sales and collections poorest in industrial areas.

5. NORTHERN NEW JERSEY

MAR., 72.5 FEB., 74.9 MAR. 1937, 93.2
MARCH—Northern New Jersey department store sales 13% below previous March. APRIL—Newark retail sales 5% below last April; wholesale trade off 3%. Decreases in bank clearings 16% in Newark, 48% in Northern New Jersey. Payrolls

(Continued directly opposite)



2. NEW YORK CITY

MAR., 66.4 FEB., 71.0 MAR. 1937, 87.0
MARCH—Percentage department store sales decreases from previous March: New York City 12, Bridgeport 19, Westchester-Stamford 19. APRIL—Percentage retail trade decreases from previous April: Bridgeport 15, New York City department store sales 2, hotel sales 12, parcel deliveries 0. Bank clearings 15% below year ago in New York City, up 4% in Westchester County. Payrolls and production below last year. Decreases of 1% in employment and 4% in payrolls during month. Clothing industries less active, except women's millinery and underwear which made net gain in employment from March. MAY—Sales decline from 1937 widened to 10%. Trend toward lower-priced articles evident in home furnishing and apparel.

4. BUFFALO AND ROCHESTER

MAR., 70.7 FEB., 74.5 MAR. 1937, 91.8
MARCH—Percentage department store sales decreases from previous March: Buffalo 12, Rochester 1. APRIL—Percentage retail trade decreases from previous April: Buffalo 4, Jamestown 13, Elmira 12, Rochester 4. Buffalo wholesale trade off 4%. Smaller acreage being planted than last year. Payrolls and production below year ago; no change from March level in Jamestown and Rochester; lower elsewhere. Buffalo trucking firms report only 25% of their units in use, due to curtailed industrial activity. Collections slower than last year. MAY—Buffalo steel production slightly lower; averaging 25% of capacity; grain shipments entering city more than double 1937 period. Retail trade volume unchanged.

and production below year ago; unchanged from March level. Brass foundries and automotive lines fairly active. Building permits double last year's volume in Newark due to large projects; below year ago in other reporting cities. Collecting comparatively steady in retail and wholesale lines; slower than year ago in manufacturing. MAY—Newark department store sales 12% below the corresponding period of 1937.

6. PHILADELPHIA

MAR., 70.2 FEB., 72.6 MAR. 1937, 100.3*

MARCH—Percentage department store sales decreases from previous March: Trenton 18, Philadelphia 23, Scranton 9, Wilmington 21. APRIL—Percentage retail trade decreases from previous April: Trenton 4, Allentown 0, Philadelphia 15, Reading 20, Scranton 3, Harrisburg 5, York 8, Johnstown 15; Wilkes-Barre and Wilmington up 10%. Philadelphia wholesale trade off 15%. Month in Philadelphia one of the poorest in last few years; in addition to income decline, the 2% sales tax and a strike among warehousemen were disturbing to trade. Collections slower than year ago. MAY—Philadelphia retail sales 14% below year ago; wide variations in rates of activity among types of stores; furniture volume off 20%. *Revised.

8. CLEVELAND

MAR., 73.6 FEB., 78.6 MAR. 1937, 109.4

MARCH—Percentage department store sales decreases from previous March: Cleveland 21, Akron 23, Toledo 19. APRIL—Percentage retail trade decreases from previous April: Cleveland 12, Akron 21, Canton 30, Lima 15, Toledo 20. Wholesale trade decreases: Cleveland 18, Akron 15, Toledo 20. Crop season advanced two or three weeks; outlook favorable. Machine tool volume low but reasonably steady recently. Little change in steel, cement, rubber, and glass industries. Collections slower than year ago in all reporting centers. MAY—Retail trade continues dull; \$38,000,000 dividend disbursement by reorganizing bank in Cleveland expected to stimulate buying somewhat. Steel and automotive operations down slightly.

10. INDIANAPOLIS AND LOUISVILLE

MAR., 85.1 FEB., 87.7 MAR. 1937, 120.5

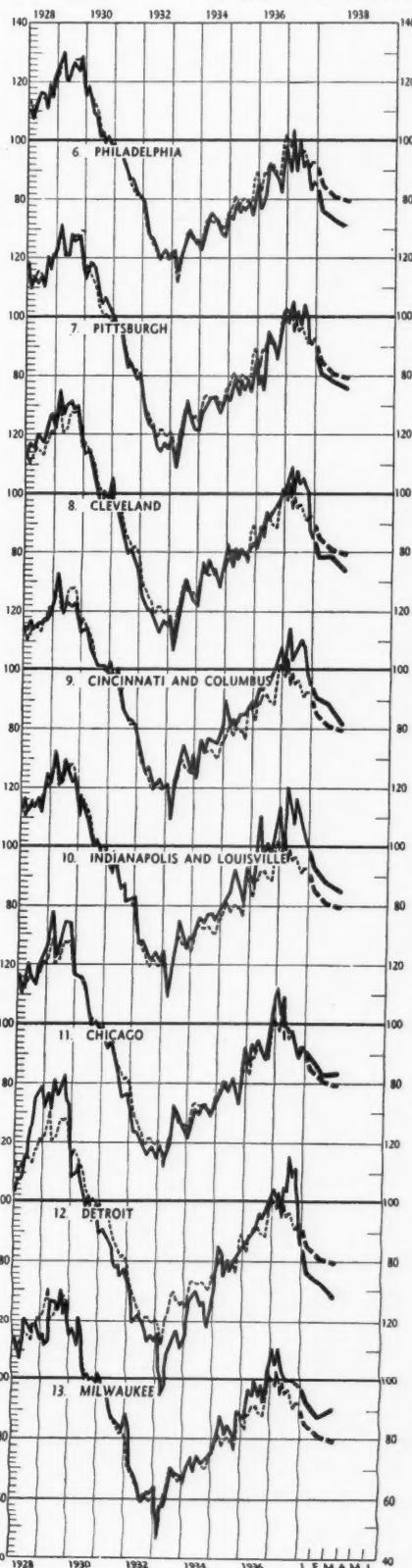
MARCH—Percentage department store sales decreases from previous March: Louisville 29, Indianapolis 16, Fort Wayne 16. APRIL—Percentage retail trade decreases from previous April: Louisville-Evansville-Indianapolis 15, Terre Haute 10, Fort Wayne 20. Wholesale trade down 15% in Louisville, 25% in Indianapolis; Louisville furniture and other household articles off 35%. Crop prospects favorable. Payrolls and production below year ago; lumber and metal products off about 35%. Collections steady in Louisville; slower than year ago elsewhere. MAY—Retail trade 10 to 15% under same period of 1937; ready-to-wear sales holding up fairly well. Little improvement in industry; Kentucky whiskey output at 19% of capacity.

12. DETROIT

MAR., 67.8 FEB., 72.7 MAR. 1937, 101.3

MARCH—Detroit department store sales 23% below last March. APRIL—Percentage retail trade decreases from previous April: Detroit 20, Grand Rapids 12, Saginaw 25. Wholesale trade decreases: Detroit 20, Grand Rapids 10; groceries and other necessities moving better than average. Outlook fair for Spring crops. Payrolls and production below year ago. Automobile output for the month estimated at 250,000 units, compared with 236,000 in March, 1938, and 553,000 in April, 1937. Considerable interest in building but actual construction still about half last year's level. Collections slower than last year. MAY—Minor fluctuations in retail trade largely stimulated by weather conditions; sales averaging 20% below year ago.

— Regional
--- U. S.
Corrected for Seasonal
Variation, 1928-32=100



7. PITTSBURGH

MAR., 75.9 FEB., 78.0 MAR. 1937, 105.8

MARCH—Pittsburgh and Wheeling department store sales 21% below previous March. APRIL—Percentage retail trade decreases from previous April: Pittsburgh 20, Parkersburg 12, Huntington 20, Charleston 10, Bluefield 18; up 3% in Erie, 5% in Clarksburg. Wholesale trade decreases: Erie 2, Pittsburgh 18, Charleston 10. Weather conditions favorable for crops; prices low. Payrolls and production below last year. Steel output steady, but at 30% of capacity. Increased production of novelty glassware. Sporadic labor troubles, but nothing serious. Collections slower than year ago. MAY—Retail volume 15 to 20% below year ago; women's wear more active than men's clothing. Steel schedules below April average.

9. CINCINNATI AND COLUMBUS

MAR., 81.5 FEB., 88.6 MAR. 1937, 114.3

MARCH—Percentage department store sales decreases from previous March: Cincinnati 18, Columbus 16. APRIL—Percentage retail trade changes from previous April: Cincinnati +2, Lexington +5, Portsmouth-Springfield -15, Dayton -20, Columbus +5, Zanesville -28. Cincinnati and Columbus wholesale trade off 30%. Moisture badly needed for crops; some fruits suffering from late frosts. Payrolls and production below year ago; tanning industry off about 35% in production and sales; machine tool activity sustained largely by foreign orders. Columbus street car strike settled. Collections slower than year ago. MAY—Retail volume 15% below 1937; largest declines in household appliances and furnishings.

11. CHICAGO

MAR., 83.8 FEB., 81.8* MAR. 1937, 109.6

MARCH—Chicago and Peoria department store sales 14% below previous March. APRIL—Percentage retail trade decreases from previous April: Chicago 6, Rockford 25, Peoria 15, South Bend 18. Chicago wholesale trade down 12%. Payrolls and production below year ago. Operations in distilleries in Peoria section continue satisfactory, but other lines off. Machine tool industry still working on agricultural orders, but few new orders coming in. Collections steady in Chicago and South Bend; slower than year ago elsewhere. MAY—Slight upturn in trade but setback suffered in second week due to cold wave. Further curtailment of payrolls in several large factories. Steel ingot production at 32% of capacity. *Revised.

13. MILWAUKEE

MAR., 90.8 FEB., 87.4 MAR. 1937, 110.5

MARCH—Milwaukee department store sales 9% below previous March. APRIL—Percentage retail trade decreases from previous April: Milwaukee 13, Green Bay 0. Milwaukee wholesale trade down 12%. Dairying good; prices somewhat lower. Bank clearings down 15% in Milwaukee, up 14% in Madison. Payrolls and production below year ago; slightly lower than in March. Paper mills generally on five-day week. Mixed trend in air-conditioning; production below year ago. Collections slower than year ago; steady to slower than in March. MAY—Lake movement of grain heaviest in years. Retail sales showing slightly poorer comparisons with last year than in April. Agricultural equipment industry continues active.

14. MINNEAPOLIS AND ST. PAUL

MAR., 87.5 FEB., 89.2 MAR. 1937, 100.0
 MARCH—Department store sales in the region 9% below last March. APRIL—Percentage retail trade decreases from previous April: Duluth 15, Minneapolis 4, St. Paul 3, Fargo 0, Sioux Falls 5, Butte 20. Wholesale trade decreases: Duluth 15, Minneapolis 10. Weather and soil conditions best in five years. Payrolls and production below last year; iron ore shipments 93% below April, 1937. Hog shortage affecting packing operations. Copper output off and prices low. Factional labor disputes disturbing industry. Collections slower than year ago. MAY—Retail sales averaging 5% below comparative period of last year. Strike difficulties again to the front in Twin Cities; building block, dairy, paper, sash and door industries affected.

16. ST. LOUIS

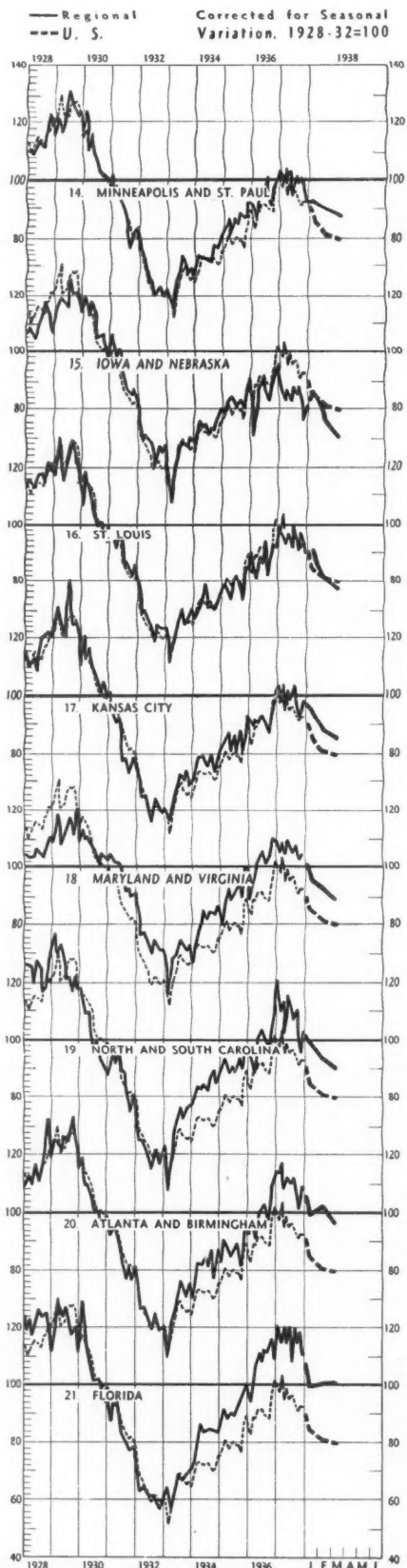
MAR., 77.0 FEB., 80.9 MAR. 1937, 92.7
 MARCH—Percentage department store sales decreases from previous March: St. Louis 8, Springfield (Mo.) 8, Quincy 9. APRIL—Percentage retail trade decreases from previous April: St. Louis 15, Springfield (Mo.) 2, Springfield (Ill.) 15, Quincy 10. St. Louis wholesale trade off 20%. Winter wheat crop good; peaches, cherries, plums, and grapes damaged by cold in mid-month; losses ranging from 10 to 50%. Payrolls and production below year ago. Most factories on part time basis or with skeleton crews. Wage cuts of 10% announced by some shoe manufacturing concerns. Collections slow. MAY—Retail volume continues light. St. Louis trade carried to level of same period last year by special sales.

18. MARYLAND AND VIRGINIA

MAR., 89.5 FEB., 93.2 MAR. 1937, 109.6
 MARCH—Percentage department store sales decreases from previous March: Baltimore 15, Washington 12, Richmond 10. APRIL—Percentage retail trade increases over previous April: Washington 7, Norfolk 10, Richmond 6, Lynchburg 3, Bristol 6; down 5% in Baltimore and 2% in Roanoke. Wholesale trade up 7% in Richmond, off 8% in Baltimore, 10% in Norfolk. Crops about 30 days early; rain needed in some sections. Payrolls and production below year ago. Curtailment of output especially pronounced in textile and furniture industries. Fertilizer fairly steady. Collections steady to slower than year ago. MAY—No material change in industry. Retail sales slightly below same period last year.

20. ATLANTA AND BIRMINGHAM

MAR., 97.1 FEB., 102.5 MAR. 1937, 117.5
 MARCH—Percentage retail trade decreases from previous March: Atlanta 13, Birmingham 13, Montgomery 23, Chattanooga 18, Nashville 15. APRIL—Percentage retail trade decreases from previous April: Augusta-Nashville 10, Columbus-Savannah-Birmingham 15, Montgomery-Mobile 0, Knoxville 20; up 10% in Atlanta, 5% in Chattanooga. Wholesale trade changes: Atlanta +5, Birmingham -12, Nashville -7. Weather conditions favorable for crops. Payrolls and production lower than year ago. Cotton mills running part time; lumber at new low. Collections steady to slower than year ago. MAY—Birmingham steel rate at 66%, maintained largely by major railroad order; trade benefited by church convention.



15. IOWA AND NEBRASKA

MAR., 70.6 FEB., 76.1 MAR. 1937, 83.2
 MARCH—Omaha department store sales 2% above previous March. APRIL—Percentage retail trade increases over previous April: Cedar Rapids 5, Waterloo-Des Moines 0, Sioux City 3, Lincoln 1, Omaha 6, Davenport off 20%. Wholesale trade decreases: Sioux City 0, Des Moines 5, Omaha 12. Winter wheat crop larger than for several years; corn planting two weeks ahead of normal. Payrolls and production above year ago in Sioux City; below elsewhere. Receipts continue low in meat-packing industry. Flour milling off 25% from last year's level. Collections steady to slower than year ago. MAY—Store sales about 10% below 1937 period; sporting goods making best showing. Slight seasonal gains in wholesale foods.

17. KANSAS CITY

MAR., 85.3 FEB., 87.3 MAR. 1937, 100.5
 MARCH—Percentage department store sales decreases from previous March: Kansas City 14, Wichita 13, Oklahoma City 4, Tulsa 7. APRIL—Percentage retail trade decreases from previous April: Kansas City-St. Joseph-Oklahoma City 10, Topeka 2, Wichita 5, Tulsa 7. Wholesale trade decreases: Kansas City 12, Oklahoma City 10. Ample moisture; outlook for bumper crops in wheat, corn, and other grains. Payrolls and production below year ago. Packing industry in St. Joseph continues about 10% below last year. Crude oil sales in Oklahoma City somewhat reduced. Collections steady to slower than year ago. MAY—Trade volume unchanged from previous weeks; largest decline in furniture and appliances.

19. NORTH AND SOUTH CAROLINA

MAR., 90.2 FEB., 92.9 MAR. 1937, 113.0
 MARCH—Percentage department store sales decreases from previous March: North Carolina 13, South Carolina 20. APRIL—Percentage retail trade decreases from previous April: Asheville 7, Winston-Salem-Charlotte-Raleigh-Charleston 5, Wilmington 10, Greenville 15; up 5% in Columbia. Wholesale trade decreases: Wilmington 8, Charleston 5, Winston-Salem 7. Lettuce crop good; price best in years. Payrolls and production lower than last year; tobacco factories continue active, but textiles and furniture still depressed. Fertilizer sales considerably below last year. Slight upturn in building. Collections slower than year ago. MAY—Retail sales about 10% under corresponding period of last year.

21. FLORIDA

MAR., 100.6 FEB., 100.5 MAR. 1937, 115.0
 MARCH—Percentage retail trade decreases from previous March: Jacksonville 5, Miami 10. APRIL—Percentage retail trade changes from previous April: Jacksonville -10, Miami -5, Tampa +5. Wholesale trade decreases: Jacksonville 8, Tampa 20. Citrus volume heavy but price very disappointing; truck prices good; yield off due to abnormally dry weather. Payrolls and production steady in Jacksonville; below year ago elsewhere. Cigar industry doing well; some increase in sawmill activity; naval stores industry still slow but better prices anticipated. Collections prompter than last year in Jacksonville; steady elsewhere. MAY—Retail sales 5 to 10% below year ago; both wholesale and retail collections continue good.

22. MEMPHIS

MAR., 89.9 FEB., 85.8 MAR. 1937, 112.8

MARCH—Percentage department store sales decreases from previous March: Memphis 19, Fort Smith 6, Little Rock 17. APRIL—Percentage retail trade changes from previous April: Memphis +10, Fort Smith +5, Little Rock -3. Memphis wholesale trade off 25%; bank clearings 18%. Spinach and strawberry crops large. Production steady in Little Rock; payrolls down; both below year ago in other cities. Furniture orders about 30% less than last year. Improved sentiment among Memphis business men, but so far little evidence of a change in conditions. Collections somewhat slower than year ago. MAY—Despite intensive sales efforts trade continues dull. Inactivity of cotton market contributing to hesitancy in general buying.

24. TEXAS

MAR., 103.1 FEB., 110.5 MAR. 1937, 111.8

MARCH—Percentage department store sales decreases from previous March: Dallas 2, Fort Worth 1, Houston 5, San Antonio 0. APRIL—Percentage retail trade increases from previous April: Fort Worth 12, Houston 5, Beaumont 4, San Antonio 13, Shreveport 7; decreases: Dallas 10, El Paso 18, Galveston-Austin 5. Wholesale trade decreases: Dallas-Shreveport 10, Houston 12, San Antonio 14, Fort Worth 2. Late freeze did some damage to crops but general prospects favorable. Payrolls and production above year ago in Fort Worth; steady in Austin and Beaumont; slower elsewhere. Textiles curtailed; oil and related lines fairly active. MAY—Sales of luxury items continue brisk; wage-earner buying somewhat curtailed.

26. SALT LAKE CITY

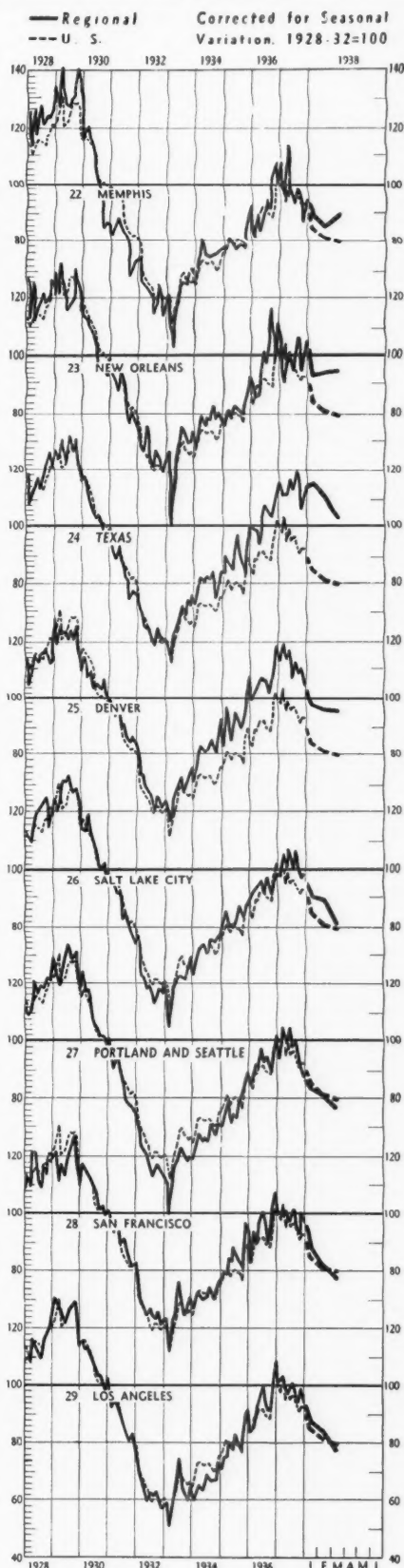
MAR., 81.2 FEB., 88.9 MAR. 1937, 105.6

MARCH—Salt Lake City department store sales 13% below previous March. APRIL—Salt Lake City retail sales 9% below previous April; household appliance sales improving but lower than year ago; automobile sales showing heaviest decline. Salt Lake City wholesale trade down 9%, bank clearings off 26%. Payrolls and production below year ago. Smelting and metal mining off about 22%; prospects not encouraging since three mines in one district anticipate closing May 5 due to low metal prices and heavy expenses. Collections slower than year ago. MAY—Retail volume stimulated by special May sales; but averaging 15% less than same period of 1937. Employment in mines which are still operating about 30% below year ago.

28. SAN FRANCISCO

MAR., 77.4 FEB., 82.0 MAR. 1937, 98.7

MARCH—Percentage department store sales decreases from previous March: San Francisco 16, Oakland 17. APRIL—Percentage retail trade decreases from previous April: San Francisco 8, Oakland 5, Sacramento 2, Fresno 10. San Francisco wholesale trade off 20%. Planting of early crops delayed by heavy rains; water supply ample. Payrolls and production below year ago. Building more active; upturn also evident in electrical trades. Canneries opening later and pack expected to be only about 60% of last year's. Strike at San Francisco sugar refinery involving 12,000 men settled. Collections slower than year ago. MAY—Retail sales averaging 5 to 10% under year ago; largest losses in furniture and other heavy goods.



23. NEW ORLEANS

MAR., 95.3 FEB., 94.2 MAR. 1937, 103.0

MARCH—New Orleans retail sales 5% below previous March; first decline since September, 1937. APRIL—Percentage retail trade changes from previous April: New Orleans +5, Jackson -20, Meridian +5. Wholesale buying continues restricted, with merchants concentrating on inventory reduction. Truck crop yield fair; prices about 10% below normal; quality of strawberry crop poor due to heavy rains. Payrolls and production still at same level as last year in New Orleans, where petroleum industry continues active; lower in Jackson and Meridian. Collections somewhat slower than year ago. MAY—New Orleans department store sales above last year. Wholesale dry goods and notions at last year's level.

25. DENVER

MAR., 96.6 FEB., 95.9 MAR. 1937, 119.6

MARCH—Denver department store sales 4% below previous March. APRIL—Percentage retail trade decreases from previous April: Denver 6, Albuquerque 12. Automobile sales picking up; home furnishings off. Denver wholesale trade 8% below year ago; bank clearings off 16%. Colorado acreage of principal Spring crops 4% smaller than in 1937. Season earlier than normal. General moisture conditions good, but rain needed in some sections. Payrolls and production below year ago. Outlook for tourist trade encouraging. Collections steady in Denver; slower than last year in Albuquerque. MAY—Albuquerque railroad shops on three-day week. Denver sales event stimulated buying, but volume still 5% below year ago.

27. PORTLAND AND SEATTLE

MAR., 76.9 FEB., 80.6 MAR. 1937, 105.5

MARCH—Percentage department store sales decreases from previous March: Seattle 16, Tacoma 16, Spokane 17, Portland 11. APRIL—Percentage retail trade decreases from previous April: Seattle 8, Tacoma 10, Spokane 3, Portland 8. Wholesale trade decreases: Seattle 15, Portland 7. Crops good on the whole, but prices extremely low, and some farmers are not bothering to market. Payrolls and production below last year and further curtailment evident. Lumber concerns closed or operating at 30% capacity. Labor troubles disturbing in lumber, canning, and restaurant industries. Collections slow. MAY—Cannery dispute settled; Tacoma port closed due to labor difficulties. Retail sales continue dull.

29. LOS ANGELES

MAR., 76.6 FEB., 84.0 MAR. 1937, 103.1

MARCH—Los Angeles department store sales 20% below previous March. APRIL—Percentage retail trade decreases from previous April: Los Angeles 5, San Diego 20. Cool weather slowing sales of Spring merchandise. Los Angeles wholesale trade off 15%. Citrus yield high; early berry crops short because of rain. Prices generally low. Payrolls and production below year ago. Aircraft industry continues to gain. Petroleum production high, but stocks increasingly heavy. Motion picture operations improving. Collections slower than year ago. MAY—Retail trade ranging from 10 to 15% below last year's level. Wholesale volume in dry goods lines somewhat improved; about equal to year ago.

INDUSTRIAL AND COMMERCIAL FAILURES

77-B PETITIONS §

NUMBER OF FAILURES			LIABILITIES *			DUN'S INSOLVENCY INDEX †						TOTAL CASES			INDUSTRIAL AND COM'L CASES			
						UNADJUSTED			ADJUSTED ‡									
	1938	1937	1936	1938	1937	1936	1938	1937	1936	1938	1937	1936	1938	1937	1936	1938	1937	1936
Jan. . .	1,320	811	1,077	15,035	8,661	18,104	72.2	46.0	63.0	58.6	37.4	51.2	71	38	70	60	31	59
Feb. . .	1,071	721	856	13,359	9,771	14,089	69.2	48.4	56.6	60.2	42.1	48.8	94	45	82	80	35	68
Mar. . .	1,088	820	946	15,567	10,922	16,271	60.4	44.9	53.3	59.8	44.9	53.3	90	73	52	79	44	43
Apr. . .	1,116	786	830	20,106	8,906	14,157	61.9	46.4	50.4	60.1	45.5	49.4	78	52	50	59	34	38
May . . .	834	832	....	8,364	15,375	....	45.4	46.4	....	45.4	46.4	....	61	49	....	43	44	....
June . . .	670	773	....	8,191	9,177	....	39.3	44.6	....	41.4	46.9	....	52	62	....	35	46	....
July . . .	618	639	....	7,766	9,904	....	36.0	38.3	....	40.0	42.6	....	59	36	....	36	32	....
Aug. . . .	707	655	....	11,916	8,271	....	38.1	36.2	....	44.8	42.6	....	52	36	....	31	24	....
Sept. . . .	564	586	....	8,393	9,819	....	34.0	33.4	....	40.5	39.8	....	32	33	....	21	24	....
Oct. . . .	768	611	....	9,335	8,266	....	42.6	36.2	....	46.3	39.3	....	64	48	....	48	33	....
Nov. . . .	786	688	....	10,078	11,532	....	49.2	44.3	....	47.8	43.4	....	66	38	....	57	30	....
Dec. . . .	932	692	....	13,291	12,288	....	53.5	42.6	....	53.5	42.6	....	89	35	....	77	24	....
Total . . .	9,017	9,185	....	115,594	147,253	....	43.7	45.4	....	44.2	45.5	....	683	591	....	492	465	....

* In thousands of dollars.

† Apparent annual failures per 10,000 enterprises.

‡ For seasonal variation.

§ For corporate reorganization.

ANALYZING THE RECORD OF INDUSTRIAL and COMMERCIAL FAILURES

APRIL'S SLIGHT INCREASE NORMAL

APRIL failures, 1,116 in number, increased only 28 over the 1,088 in March, but were 330, or 42 per cent, above the 786 for April a year ago. With the number of working days unchanged and with only slight variation in the number of firms in business, the insolvency index reflected the April increase by a rise of only 1.5 points to 61.9. A slight April spurt is a normal Spring movement, with the result that the index when adjusted by the removal of the seasonal factor remained practically unchanged, moving only from 59.8 to 60.1.

The variation in the adjusted index by less than 2 points for any month since January is an indication that, after a continuous rise in failures from last October through January which lifted them back to the 1934 level, the month-to-month change has been for the most part only seasonal.

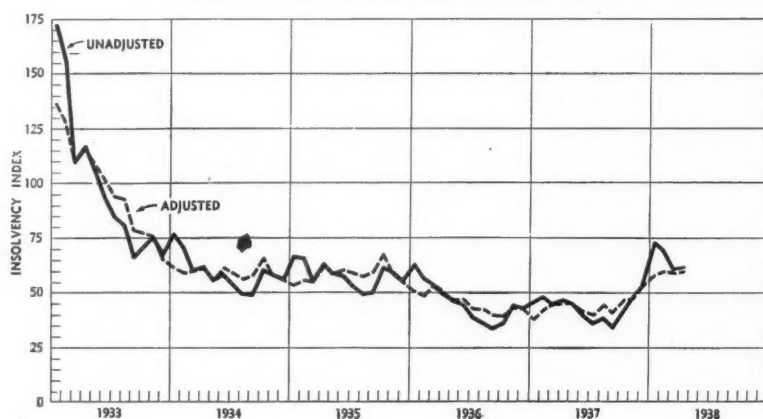
April liabilities of \$20,106,000 were the highest since the middle of 1934. The rise of \$4,539,000 over the March

total of \$15,567,000 was due to an increase in the number of very large failures from 11 to 21, among which were two with liabilities of over \$1,000,000. The average indebtedness of failures exclusive of the very large ones was, in fact, lower in April than in March.

The monthly trend of failures within the industry groups was diverse. The

increase was confined to the retail and the wholesale trades, each group rising 8 per cent, with the increase spread very generally through the various trade lines. Decreased failures was the rule in the other main groups, with the drop as extensive as was the increase in the trade groups. Two important exceptions were furniture and chemical

MONTHLY TREND OF THE INSOLVENCY INDEX



manufacturers. A definite April increase in wholesale trade failures has taken place for the last five years.

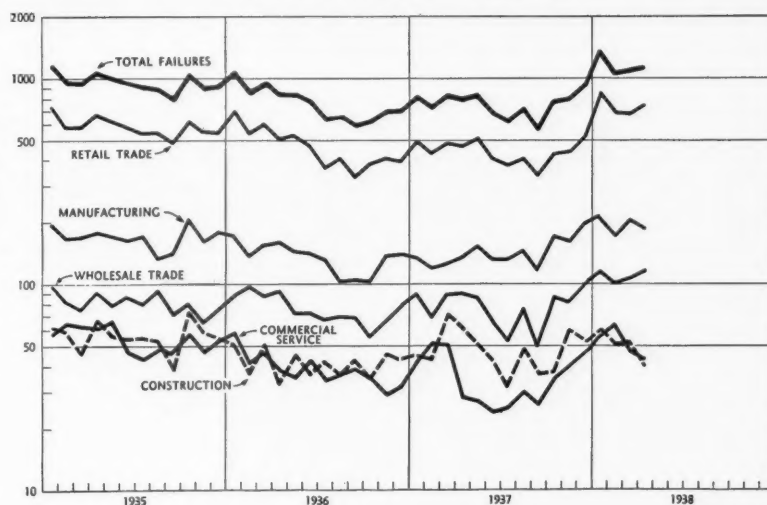
Construction is the one industry group which has not been experiencing more failures than a year ago. The largest increases over last year continue to be in retail trade and commercial services, groups which are most quickly affected by contraction or expansion of consumer buying.

INDUSTRY GROUPS	April 1938	April 1937	Per Cent Change
Manufacturing	184	135	+36
Wholesale Trade . . .	116	91	+27
Retail Trade	735	470	+56
Construction	39	62	-37
Commercial Service . .	42	28	+50
Total	1,116	786	+42

A shift took place in the size breakdown between March and April failures which was consistent throughout all the industry groups: a smaller proportion of very small failures, an increased proportion of the second size, a smaller proportion again in the failures of more substantial size, and an increased proportion of very large failures.

The very large failures with liabilities of \$100,000 and over rose from 11 to 21. Not for two years have there been so many. The April cases were distributed as follows: 11 in manufacturing, 3 in wholesale trade, 3 in retail trade, 2 in construction, 2 in commercial service. Liabilities involved in these 21 failures alone totalled \$9,000,000.

FAILURES BY INDUSTRIAL GROUPS



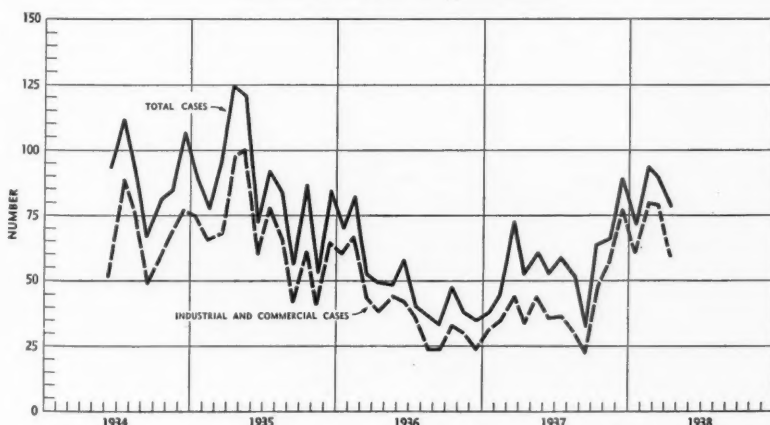
LIABILITIES	April 1938	April 1937	Per Cent Change
Under \$5,000	439	347	+ 27
\$5,000-\$25,000	563	371	+ 52
\$25,000-\$100,000 . . .	93	62	+ 50
\$100,000 and over . . .	21	6	+250
Total	1,116	786	+ 42

Four of the twelve Federal Reserve Districts reported fewer failures in April, all along the Atlantic seaboard—New York, Philadelphia, Richmond, and Atlanta. Of the eight remaining districts which reported increased failures, the three that cover the Western plains section—Minneapolis, Kansas City, and Dallas—reported the highest percentage increases. Most of their increase was in retail trade failures.

The percentage increase in numbers was evenly distributed between the large cities and the rest of the country, but the cities bore most of the increase in liabilities. Ten cities reported increases, thirteen decreases, and two no change, without any size or geographical consistency.

FEDERAL RESERVE DISTRICT	Jan.-Apr. 1938	Jan.-Apr. 1937	Per Cent Change
Richmond	193	194	0
Minneapolis	82	69	+ 19
New York	1,274	1,023	+ 24
Boston	425	294	+ 45
Cleveland	344	230	+ 50
Kansas City	215	137	+ 57
San Francisco	509	322	+ 58
Chicago	727	430	+ 69
Philadelphia	288	168	+ 72
Dallas	97	54	+ 80
Atlanta	244	125	+ 95
St. Louis	197	92	+114
Total	4,595	3,138	+ 46

MONTHLY TREND OF 77-B CASES



77-B Cases

Applications for corporate reorganization under Section 77-B totalled 78 in April compared with 90 in March and 52 a year ago.

The decrease of 12 for the month was the net result of a decrease of 26 in manufacturing, trade, and construction, and an increase of 6 among commercial services and 8 in companies of a non-commercial or industrial nature. The latter cases totalled 19, or more

than in any month since August, 1937.

As a whole, cases were well distributed through the industry sub-groups, especially in manufacturing where all lines but one were represented. Nearly half of all cases were small companies capitalized under \$25,000. Most of the wholesale and retail trade cases fell in this group. Manufacturing cases ran larger, as might be expected, with 10 of the 27 capitalized between \$100,000 and \$500,000. There were two very large manufacturing concerns with capital stock totalling over \$1,000,000, and also included in the record was a very large wholesaler answering an involuntary bankruptcy filed against him last month with a 77-B petition for reorganization.

77-B APPLICATIONS BY MAIN DIVISIONS OF INDUSTRY—APRIL 1938 AND 1937

	April 1938	March 1938	April 1937
Manufacturing	27	38	20
Wholesale Trade	8	18	5
Retail Trade	14	17	7
Construction	1	3	..
Commercial Service	9	3	2
Others (*)	19	11	18
Total United States	78	90	52

(*) Not included in tabulation of commercial failures, such as real estate and investment companies.

Nearly a quarter of the companies petitioning are definitely successions to previously unsuccessful businesses, while another quarter are successions to individual concerns or partnerships, several of which were established before 1900. In contrast to these old concerns are the 15 new businesses started since 1930.

It is not unusual now to find in the 77-B record companies which have been in before. They may have emerged from the previous reorganization with a new corporate structure and a slight change in name, or with no change in form. This month there were two repeats. One, under the previous settlement, had converted its debt into ten-year debentures, and the other had mortgaged machinery in order to make a 10 per cent cash settlement.

Note: In DUN'S STATISTICAL REVIEW there are published more detailed failure statistics by States, large cities, industrial divisions, and size of liabilities.

FAILURES BY DIVISIONS OF INDUSTRY—APRIL, 1938 AND 1937

(Liabilities in thousands of dollars)

	Number			Liabilities		
	April 1938	March 1938	April 1937	April 1938	March 1938	April 1937
TOTAL UNITED STATES	1,116	1,088	986	20,106	15,567	8,906
MANUFACTURING (total)	184	203	135	4,383	4,302	2,165
Foods	30	41	41	727	1,070	859
Textiles	45	49	22	1,235	1,480	283
Forest Products	27	15	15	927	236	270
Paper, Printing and Publishing	10	19	8	63	213	86
Chemicals and Drugs	10	4	7	123	21	99
Fuels	4	2	1	143	18	7
Leather and Leather Products	1	7	6	14	109	144
Stone, Clay, Glass and Products	8	7	5	211	155	61
Iron and Steel	11	11	10	211	178	73
Machinery	7	13	4	80	195	7
Transportation Equipment	3	3	1	182	51	65
All Other	28	32	15	467	576	211
WHOLESALE TRADE (total)	116	107	91	1,959	3,395	1,045
Farm Products, Foods, Groceries	37	39	31	486	560	416
Clothing and Furnishings	10	8	6	86	161	41
Dry Goods and Textiles	7	4	5	337	88	44
Lumber, Building Materials, Hardware	9	8	9	215	1,893	129
Chemicals and Drugs	5	7	4	52	108	35
Fuels	1	3	2	11	112	26
Automotive Products	9	6	5	202	75	35
Supply Houses	12	8	6	127	91	55
All Other	26	24	23	443	307	264
RETAIL TRADE (total)	735	679	470	7,140	6,419	3,313
Foods	197	168	156	1,163	823	761
Farm Supplies, General Stores	26	21	29	250	181	427
General Merchandise	38	31	20	275	382	148
Apparel	175	168	92	1,460	1,291	482
Furniture, Household Furnishings	53	60	15	492	1,113	177
Lumber, Building Materials, Hardware	40	44	34	311	440	318
Automotive Products	53	66	34	914	1,167	341
Restaurants	52	46	36	1,493	363	276
Drugs	44	31	25	364	246	184
All Other	57	44	29	418	413	199
CONSTRUCTION (total)	39	52	62	1,175	873	1,943
General Contractors	5	9	6	41	183	71
Carpenters and Builders	8	10	25	405	362	1,401
Building Sub-contractors	23	31	27	343	306	267
Other Contractors	3	2	4	386	22	204
COMMERCIAL SERVICE (total)	42	47	28	5,449	578	440
Cleaners and Dyers, Tailors	9	10	5	54	90	73
Haulage, Buses, Taxis, etc.	14	16	7	115	332	97
Hotels	2	3	3	5,003	42	109
Laundries	3	4	4	24	24	109
Undertakers	2	5	4	9	48	20
All Other	12	9	5	244	42	32

Canadian Failures

Canada reported in April the fewest number of failures for at least twenty years. There were only 47 with \$502,000 liabilities compared with 101 in March with \$1,221,000 liabilities, and 87 a year ago with liabilities of \$438,000. The drop of over half from last month

in both numbers and indebtedness occurred equally in the large cities and in the less thickly populated sections. Nine of the sixteen cities reported no failures. The drop was also spread throughout industry, with a decrease of 38 per cent in manufacturing and 58 per cent in retail trade, and similar decreases in the smaller groups.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "DUN'S STATISTICAL REVIEW"

Building Permit Values—215 Cities

Geographical Groups:	April 1938	April 1937	Change P. Ct.	March 1938	Change P. Ct.
New England	\$5,264,828	\$10,601,353	- 50.3	\$5,552,875	- 5.2
Middle Atlantic	23,801,244	39,218,867	- 39.3	19,432,019	+ 22.5
South Atlantic	8,784,316	10,410,017	- 15.6	8,438,100	+ 4.1
East Central	14,324,190	21,278,485	- 32.7	13,110,228	+ 9.3
South Central	11,406,227	9,821,739	+ 16.1	10,538,282	+ 8.2
West Central	3,912,208	6,300,116	- 37.9	3,765,674	+ 3.9
Mountain	1,682,431	2,383,838	- 29.4	1,242,648	+ 35.4
Pacific	15,666,921	17,529,353	- 10.6	14,519,081	+ 7.9
Total U. S.	\$84,842,365	\$117,543,768	- 27.8	\$76,598,907	+ 10.8
New York	\$16,197,699	\$27,110,582	- 40.3	\$11,419,827	+ 41.8
Outside New York ..	\$68,644,666	\$90,433,186	- 24.1	\$65,179,080	+ 5.3

Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1938	1937	1936	1938	1937	1936
January	21,798	27,226	25,262	871.9	1,089.0	971.6
February	17,583	23,720	22,065	799.2	1,078.1	959.3
March	22,822	29,412	26,610	845.3	1,089.3	1,023.4
April	21,667	26,086	24,711	833.4	1,003.3	950.4
May		23,951	22,473		958.0	898.9
June		25,903	26,148		996.3	1,005.7
July		26,015	24,766		1,000.6	952.5
August		22,260	21,269		856.2	818.0
September		24,076	23,927		963.0	957.1
October		24,668	25,852		986.7	994.3
November		21,796	24,554		947.6	1,116.1
December		25,805	31,153		992.5	1,198.2
Total	300,918	298,790		996.7	987.1	

Bank Clearings for Individual Cities (000 omitted)

	April 1938	April 1937	Change P. Ct.	March 1938
Boston	\$851,814	\$1,048,665	- 18.8	889,743
Philadelphia	1,460,000	1,780,000	- 18.0	1,542,000
Buffalo	129,354	168,964	- 23.4	125,489
Pittsburgh	452,979	655,980	- 30.9	473,171
Cleveland	357,063	442,090	- 19.2	335,467
Cincinnati	230,772	298,700	- 22.7	241,577
Baltimore	270,498	311,137	- 13.1	284,423
Richmond	141,508	166,169	- 14.8	153,760
Atlanta	211,200	249,600	- 15.4	229,600
New Orleans	138,305	159,987	- 13.6	170,194
Chicago	1,173,652	1,481,935	- 20.8	1,233,051
Detroit	336,227	522,264	- 35.6	362,114
St. Louis	335,226	412,850	- 18.8	369,659
Louisville	127,084	176,797	- 28.1	136,116
Minneapolis	266,163	303,648	- 12.3	250,331
Kansas City	345,049	480,814	- 28.2	368,021
Omaha	111,782	138,908	- 19.5	123,746
Dallas	201,879	222,945	- 9.4	220,733
San Francisco	570,180	679,277	- 16.1	584,832
Portland, Ore.	118,130	138,047	- 14.4	141,057
Seattle	138,402	173,746	- 20.3	145,199
Total 21 Cities	\$7,967,267	\$10,012,523	- 20.4	\$8,380,283
New York	\$13,700,223	\$16,073,584	- 14.8	\$14,441,675
Total 22 Cities	\$21,667,490	\$26,086,107	- 16.9	\$22,821,958

Dun & Bradstreet Weekly Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use:

Weeks:	1938	1937	1936	1935
May 24....	\$2.35	\$2.85	\$2.55	\$2.60
May 17....	2.35	2.86	2.52	2.61
May 10....	2.34	2.84	2.54	2.61
May 3....	2.36	2.82	2.58	2.62
Apr. 26....	2.36	2.86	2.60	2.62
Apr. 19....	2.37	2.89	2.59	2.68
Apr. 12....	2.37	2.89	2.64	2.71
Apr. 5....	2.41	2.94	2.60	2.74

	HIGH	Low
1938..	\$2.53 Jan. 4	\$2.34 May 10
1937..	\$3.01 Mar. 16	\$2.56 Dec. 28
1936..	\$2.94 Dec. 29	\$2.52 May 19

Dun & Bradstreet Daily Weighted Price Index

30 Basic Commodities

(1930-1932 = 100)

	1938			
	May	Apr.	Mar.	Feb.
1....	†	109.70	113.55	114.59
2....	107.06	109.80	113.74	114.05
3....	106.98	†	113.89	113.88
4....	107.15	108.89	113.45	114.17
5....	106.89	108.39	113.24	114.02
6....	107.12	108.56	†	†
7....	107.26	108.66	113.24	113.90
8....	†	109.38	113.03	113.87
9....	107.13	109.24	112.40	114.11
10....	107.01	†	112.39	113.93
11....	107.59	108.50	112.57	113.01
12....	107.65	108.43	112.54	†
13....	107.90	108.61	†	†
14....	107.76	109.22	111.85	112.70
15....	†	†	111.72	111.98
16....	107.18	109.27	112.45	112.10
17....	106.50	†	112.19	113.13
18....	107.06	109.28	111.76	113.16
19....	106.80	108.72	111.82	113.12
20....	106.35	108.66	†	†
21....	106.21	109.08	111.23	113.34
22....	†	108.80	110.93	†
23....	105.73	108.93	111.09	114.08
24....	105.20	†	111.00	114.13
25....	104.57	108.36	110.77	113.65
26....	104.28	107.95	110.70	113.62
27....	104.11	108.00	†	†
28....	†	107.94	110.54	113.47
29....	†	107.45	110.30	†
30....	†	107.39	109.76	†
31....	102.48		109.48	†

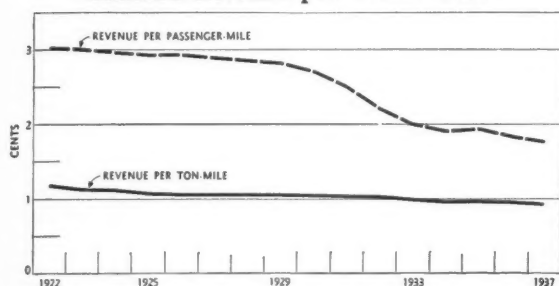
† Sunday. * Markets closed.

	HIGH	Low
1938..	117.06 Jan. 10	102.48 May 31
1937..	158.26 Apr. 5	114.83 Dec. 30
1936..	142.65 Dec. 31	115.13 May 27

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

Railroad Revenue per Traffic Unit



RAILROAD REVENUE PER TRAFFIC UNIT—1922-1937—*Association of American Railroads, Bureau of Railway Economics*—During 1937, the average revenue per unit of both freight and passenger traffic was the smallest for any year in the period surveyed.

SINCE 1922, there has been an almost constant decrease in the revenue received by Class I railroads for the transportation of the average ton of freight and the average passenger one mile. Over the sixteen-year period, revenue per ton-mile has fallen 21 per cent and revenue per passenger-mile 40 per cent.

The Bureau of Railway Economics points out that this trend measures with approximate accuracy what the public paid for railway transportation per unit. In 1937, for example, the decline in revenue per ton and passenger-mile was accentuated by the cancellation of the emergency freight charges and the setting of maximum passenger fares. But rates are not the only factors determining receipts per traffic unit. In the freight service, the character of the traffic, the proportion of low and high-grade commodities, and the length of the haul must also be considered; and in the passenger service, the proportion of commutation and excursion, and other special-rate travel.

Fashions in Skirts

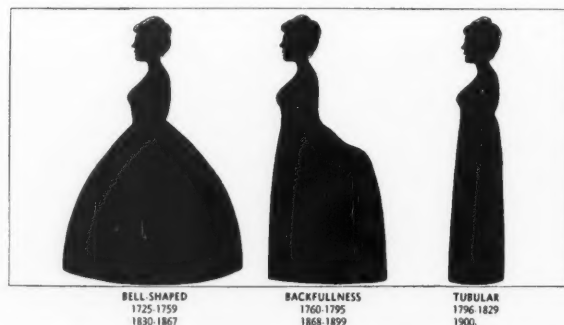
THAT the economist's dream of consistent, orderly cyclical change should come true in that section of the economy most completely dominated by capricious woman may be somewhat disheartening. And yet, here is evidence enough, presented by Agnes Brooks Young in her *Recurring Cycles of Fashions* (Harper & Brothers, 1937), that the major style changes in women's dress during the past two centuries have been occurring with a regularity that is almost celestial.

During the period 1725 through 1937, skirt contours—the most fundamental fashion structure, according to Mrs. Young—were changed five times. Identified by such high-sounding titles as “The First Backfullness Cycle,” “The

First Tubular Cycle,” “The Bell-Shaped Cycle,” each of these changes endured approximately one-third a century. None lasted less than 32 years; none more than 38.

The reason for the regularity in length of the cycle is less obvious—and certainly less interesting—than the reason for the regularity with which the Backfullness period followed the Bell-Shaped and was in turn superseded by the Tubular. Only three basic skirt styles lie within the realm of practicability, Mrs. Young points out, and, since the style of the previous cycle is always remembered with horror or amusement, when the time comes to evolve into a new mode there is one and only one possible choice.

Of broad significance for the business man is this regularly-recurring pattern. The thirty-eighth year of the tubu-



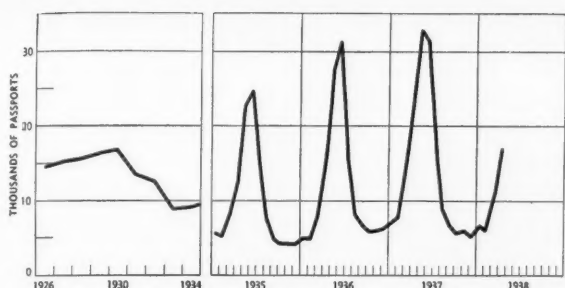
RECURRING CYCLES OF FASHIONS—1725-1937—*Agnes Brooks Young, Harper & Brothers, 1937*—A classification of fashions on the basis of skirt contour reveals three dominant types, which occur in consecutive order and in periods approximating one-third of a century.

lar cycle has already passed. If the old order giveth place to the new, as it should, the ladies are due next for the bell-shaped—a fact which the transit commissions and the home builders cannot afford to ignore.

Passports

MIRRORING the state of domestic business, the number of passports issued dropped off sharply from 1930 to 1933, turned upward in the four years following, and began to show the first unfavorable comparisons with the previous year in the Summer of 1937.

Despite the extremely favorable exchange rates and the broad concessions made to American tourists in some European countries, the number seeking passports in 1937 was considerably smaller than in any year during the 1926-1930 period. In 1937, there was an average of 14,001 passports issued monthly; in the 1926-1930 period, the lowest average was 14,669 (in 1926), the highest, 16,931



PASSPORTS ISSUED—1926-1934, MONTHLY AVERAGE; JANUARY, 1935-APRIL, 1938, MONTHLY TOTAL—U. S. Department of State, Passport Division—Though the bulk of passports are issued in May and June, an indicator of current volume is the fact that in the first four months of 1938 passports issued were 25 per cent fewer than in the same period of 1937.

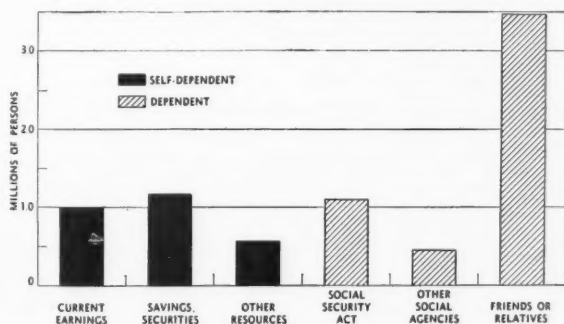
(in 1930). Political uncertainties abroad, as well as domestic economic conditions, have played an important part in limiting European travel recently.

Old-Age Dependency

TO THOSE INTERESTED in the problem of old age from the social, psychological, or economic points of view, a study recently made by Marjorie Shearon of the Social Security Board offers valuable information. Drawing from current statistics, or where this is not possible, basing estimates on the latest available data, Miss Shearon constructs a frame into which she places, according to their means of support, the 7,816,000 aged who were living in the United States in early 1937.

Only one-third of these, she finds, could be termed essentially self-sustaining. For the majority of this group, 2,172,000, current earnings, or savings (including income from property or other investments) were the basis of financial independence. In addition, approximately 204,000 were supported by insurance annuities, 185,000 by private pension plans, 170,000 by Government pensions.

The remainder, 5,070,000, were without appreciable income, except that which was provided by social agencies

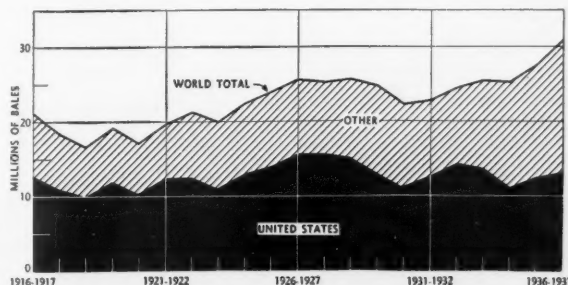


MEANS OF SUPPORT OF PERSONS 65 YEARS OF AGE OR OLDER—APRIL, 1937—Social Security Bulletin—By reason of current earnings, savings, and pensions, 35 per cent of the aged in the country are self-dependent; social agencies care for another 20 per cent; relatives and friends, the rest.

or by friends and relatives. According to Miss Shearon's computation, 1,590,000 of this dependent group received whole or partial support from private or public agencies—the Social Security Act, the homes for the aged, the poor, the mentally diseased. Friends or relatives cared for the 3,480,000 others. Adding to this number all those whose income from pensions, charity, etc., was not sufficient for comfortable living, Miss Shearon estimates that over three-fourths of all the aged (6,000,000) would be found to be, to some extent, economically dependent on relatives or friends.

Cotton

THE GROWING IMPORTANCE of foreign crops in world mill consumption of cotton is evident from statistics compiled by the U. S. Department of Agriculture. Although actual consumption of United States cotton has not fallen off during the past two decades, its failure to keep pace



WORLD MILL CONSUMPTION OF AMERICAN AND OTHER COTTON—1916-1936 (year beginning August)—Compiled by the U. S. Department of Agriculture from reports of the N. Y. Cotton Exchange—The ratio of American to all cotton consumed in world mills averaged 59 per cent during 1916 to 1926, compared with 44 per cent in the last three years.

with the uptrend in world consumption of all growths has resulted in a sharp decline in its ratio to the total. From 1916 to 1926, the American growth composed 59 per cent of all cotton consumed by world mills. In the three most recent years for which figures are available, it has averaged 44 per cent of the total.

United States compared with all world production of cotton shows a similar downtrend. Though the timing of this coincides with the introduction of the Agricultural Adjustment Act, the Department of Agriculture points out that the curtailment program itself is only one of a number of factors responsible for expansion in other countries.

Among the forces stimulating the consumption of foreign at the expense of American cotton, the Department mentions: the heavier currency devaluation in many cotton-producing countries; the disposition of cotton-consuming countries to buy where they can sell manufactured goods in exchange; the low price of coffee, stimulating Brazilian interest in another money crop; the tendency of China and Russia to forge ahead in production regardless of prices or the American supply.

HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

WHAT would you do if you wanted to sell shark liver oil? We know a Florida man who, having sold the meat of a sizable catch and made plans to market the hides, thought next of the livers as a by-product. Attacking his problem in a pedestrian way, he began with the New York classified telephone directory. Under "fish oils"—first try—he found indeed two dealers and forthwith solicited their interest.

Testily, the first dealer replied that he for one would like to know where in the name of Neptune you fellows were getting all those sharks; he'd been getting similar requests all week, some even about dog-fish in Sheepshead Bay. The second dealer, who hadn't been solicited all week, answered that, yes, he might be able to do something with the oil; send him a sample.

When last we heard, that was where the matter lay. To us, this year, there's something mildly heroic in such frugality, as our Florida friend marches down to the express office to dispatch a tin bucket and to learn just how much a shark is worth.

Not Wood—Anyone who has done a day's shoveling can appreciate that to eliminate three or four pounds a stroke is to save lifting two or three tons of



TO EMPLOYEES—Under a mutualization plan last month Charles F. Noyes, real estate firm president, turned over 72,000 shares of common stock to 165 employees.

dead-weight in eight hours. So it's here, the aluminum shovel.

The manufacturer, The Wood Shovel and Tool Company, is not going to change its name just because of the new scoop, but it's pretty excited about its possibilities. It is acid-resisting, non-corrosive, and (this is really important) non-sparking. Logical users because of its sanitary qualities are the meat-packing, dairy, and brewing industries; because it is non-sparking, oil refineries, paint factories, chemical plants, and others which handle combustible materials.

Mutual—On May 20 a New York executive became 60 years old, an insurance company lost a million-dollar account, and the employees of a nationally-known real estate firm found themselves likewise its owners.

Such a conjunction of events came about because Charles F. Noyes, owner until May 20 of 80 per cent of the preferred and common stock of

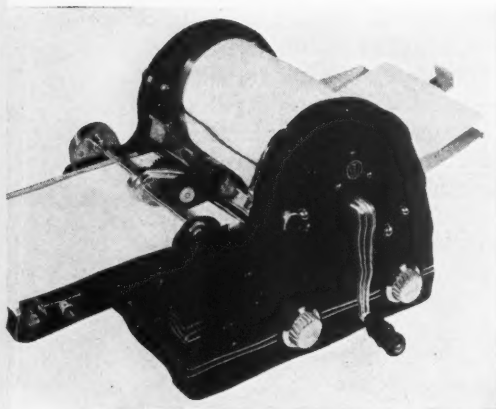
Charles F. Noyes Company, Inc., was the executive who became 60. Believing both in mutualization and the tenet that every man should relinquish active direction of a large business when he reaches that age, he converted the insurance carried by the company on his life into its cash value and with a part of it allowed the company to buy out four-fifths of his common stock interest.

Had the mutualization plan not been put into effect \$800,000 of the insurance would have gone to his family because of his major share in preferred stock holdings. Termination of the insurance also relieves the company of an annual premium expense of about \$42,000, which will of course benefit the new stockholders directly.

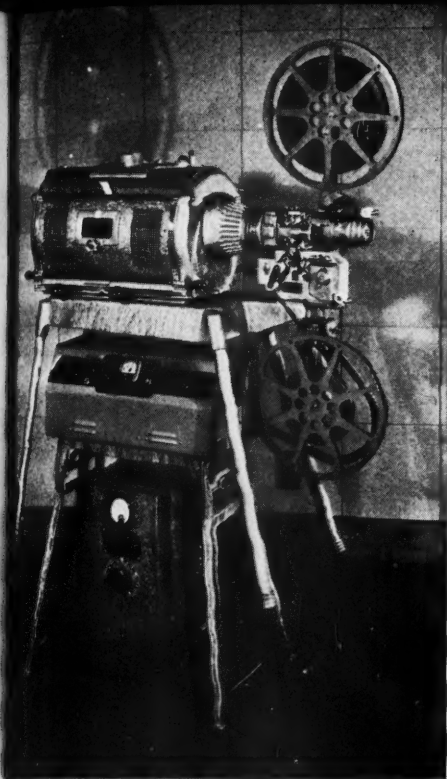
A second annual charge, dividends on preferred stock, has been halved, in this manner. Par value of the shares has been cut from \$30 to \$15, and dividends are now 90 cents instead of \$1.80. So that no other holder of preferred would suffer a loss in income, Mr. Noyes donated one of his shares for every one held by others. Thus \$30,000 more accrues annually to holders of common shares. Shares not held already by employees or their relatives have been purchased at book value.

Until May 20 Mr. Noyes owned 90,830 shares of the common stock out of a total of 112,640 shares outstanding. On May 20, 72,000 of these shares were distributed by a committee of employees to all of the approximately 165 employees in the company's service a year or longer, on the basis of length of service, merit, and earnings. To them passed control of a real estate brokerage organization which does an annual business, even in depression years, of about \$60,000,000. In one year it was \$300,000,000.

In actuality the reorganization plan is not quite the "Here, boys, run it"



SELF-FEEDING—This new liquid process duplicator, says Ditto, Inc., will turn out 300 bright copies, 70 a minute, on paper varying from tissue to card stock.



WITH AN ARC—Using 16 mm. film and an arc lamp, this Bell & Howell sound film projector sends images brilliant enough even for large halls and auditoriums.

proposal which it seems. Mr. Noyes remains active as a consultant. The balance of control still rests in the hands of three who were formerly his executive associates. And as long ago as 1910 the company had an employee's profit-sharing plan. Yet when all has been gainsaid, attainment of the new corporate structure entailed considerable generosity on the part of its ex-president.

Why he made it possible is a question with no single answer. In part it seems to be gratitude toward those who helped build an important enterprise from scratch in forty years; in part it is to test certain notions about personnel management; and in recent years a third influence had been the rapid ascendancy of labor everywhere.

Nearer—A Chicago distributor telegraphed his salesman in El Paso, Tex., to go to Texarkana, Tex., to track down a prospect. The salesman in El Paso wired back: "Send someone from Chicago, it is nearer." It is nearer, in fact, by about 70 miles.

Out of this exchange of telegrams the public relations director of the St. Louis Southwestern Railway Lines has concocted an ingenious pamphlet trick to demonstrate what a whale of a State Texas is.

Inside the folder is spread out a map of the United States, and superimposed on the State of Texas is a second paper, cut to conform to the State's boundaries. Fastened only at the State's northeastern tip, on Texarkana, the cut-out is free to revolve, with the westernmost point of El Paso swinging in a broad arc. Within the circle it describes are Chicago, Indianapolis, Savannah, and Jacksonville.

Time—To advertisers and agencies who place spot business on NBC managed stations the broadcasting company has mailed a "Time-Buyer's Calendar," which is and is not a calendar. It is of no help whatever in revealing what the date will be a week from Saturday, but for NBC and NBC clients it has its function.

Each month is allotted five columns. Down the first run the numbers of the

days of the given month, down the second the days (and months) of the corresponding dates 13 weeks hence, down the third the dates 26 weeks away, and so forth.

That relatively new commodity—time—is sold in quarter-years, or units of 13 weeks, and the purpose of the NBC calendar, naturally, is to remind advertisers of contract expiration dates.

Book—Manufacturers of the Wanamaker Diary and publishers of scrapbooks and albums of all sorts, the E. E. Miles Company, South Lancaster, Mass., has added to its line Fotofolio. For reasons which will become clear later on, the new product can only be described as a book to put photographs in.

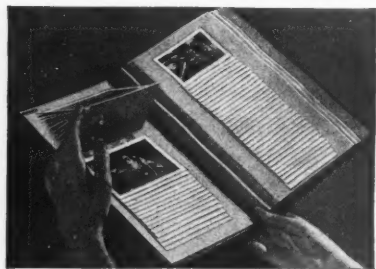
On each page are provided up to 25 rows of hinges. When attached to them, one below another, photographs overlap as shown in the picture on the next page, and thus can be filed compactly in chronologic, geographic, or subject order. Now that one sees them frequently in camera and department stores and in use in homes and offices,

FOR AMATEURS—So that camera fans may go their night clubs one better, Apeda Studio, Inc., New York, is making photo-murals from amateur prints. From photos taken on a trip around the world, the murals in the dining-room below are easily de-mounted and can be replaced with a new set from time to time if the scenery grows tiresome.



it seems a natural development. As a neat, ingenious filing device, it appeals to the instinct for orderliness which makes people buy pocket notebooks.

But it was not always so. Two years ago you probably would not have seen Fotofolios in a camera store, but the chances were pretty good that there



were a half-dozen of them on shelves in the back room. Two abortive sales campaigns, in fact, had loaded a nice supply on impressed dealers, but Fotofolio did not move across the counter. Concluding that it was a white elephant, the manufacturer discontinued the book.

At that critical point the Wayne W. Light Co., of New York, merchandising representatives, entered the picture to make a study for the new publishers. From those embittered retailers who did not throw them out at mention of Fotofolio they heard that most shoppers don't buy albums, and certainly not albums that baffle them.

From that time on Fotofolios ceased to be albums. A new package was designed. New, more helpful instruction booklets were written. Illustrations were made showing them in

actual use. Displays were set up to guide inquisitive but faltering fingers. And immediately the same product which before had gathered dust began to sell.

Perhaps merchandising experience with Fotofolio proves that research in the field can sometimes be invaluable. It could even mean that the monkey in us consumers is becoming less assertive.

Standards—It was in 1927 that safety glass was first introduced to the automotive industry, and only eight years have passed since you first peered anxiously through the murky haze of pioneering but weatherbeaten safety-glass windshields. How completely the original skepticism has been outgrown is evident from an inspection of present-day State requirements.

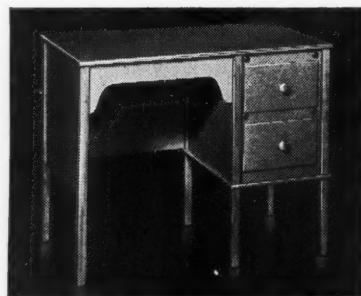
Already its use throughout cars, trucks, and buses is mandatory in 29 States and the District of Columbia. In two more it is required for all windshields, and in another three States it must be used generally in buses. Specific requirements as to how safe the glass shall be, however, vary widely in the legislation of the several States.

In June, 1934, representatives of automobile companies, glass manufacturers, State administrators, insurance companies, and safety experts met together under the auspices of the American Standards Association to work out a series of standard tests and requirements which would serve as a sort of uniform reference for the guidance of both manufacturers and administrators.

Approved by the ASA in December, 1935, the tests demonstrated the degree of strength and freedom from shattering which should characterize safety glass, and set down also specifications for discoloration and separation.

Thus far the ASA has not won complete acceptance for its standards; nor on the other hand have they been ignored. Of the 30 States which require compliance with some kind of test, twenty stipulate that it shall be the Association's. In eight of them the American Standard label is sufficient without additional laboratory tests.

Extra—Bringing forth a solution to the extra-desk problem, the J. F. Friedel Co., of Syracuse, N. Y., offers the "Handi-Rite," a Masonite Presswood portable desk weighing only twenty pounds. "Handi-Rite" is shipped in



knock-down form; par for assembling time is five minutes. Top surface area is 34 by 18 inches. It contains two drawers, is said to be 99 per cent fire resistant. Perhaps thinking back to development days, the manufacturers stress the fact that all legs are exactly the same length.

ARBITRATION IN COMMERCE AND INDUSTRY

(Continued from page 21)

When machine production replaces hand production how shall wages be readjusted?

As an example of how small beginnings often lead to trouble of serious proportions, a recent Associated Press dispatch told this story: A foreman switched an employee from one job to another paying a higher rate. This man had not paid his union dues and to put pressure on him the union called a strike in his new department. The strike tied up production throughout the plant, so the management closed up. This threw 2,100 men out of work,

and these men were forced to pay the cost of one man's defection.

An almost wholly parallel case occurred in the VIAT experience. In this instance, however, the working contract contained an arbitration clause. The case was arbitrated quickly, and a decision rendered and accepted by both parties. There was no stoppage of work. No workmen lost their jobs. Furthermore, production in the plant proceeded at a normal rate and no orders were lost. Thus, both management and labor gained by a procedure of self-government which they had the

foresight to provide for in their contract.

The Voluntary Industrial Arbitration Tribunal seeks to make it possible for unions and employers, regardless of their beliefs, or policies, or philosophies, to sit down together amicably and to part in a spirit of co-operation. It seeks to provide a method of arbitration which fits in with an economic system and is not colored by politics, one which permits labor and management to apply sound American common sense in the settlement of their differences.

MUNICIPAL TAX DELINQUENCY

(Continued from page 9)

early part of the current year appears to have held up amazingly well in a variety of economic areas. No extensive comparative data are yet available, but preliminary figures are generally better than might have been anticipated. In all probability the momentum of recovery is projected into these early statistics and thus renders them of uncertain value for gauging the trend for the year, but it is at least significant that many fairly representative situations have shown no quick response to the sharp economic reversal.

Back Taxes in 1938

The collection of delinquent taxes, however, is proceeding less favorably in 1938. In most areas, according to preliminary reports, income from this source is running materially lower than last year. This was, of course, a normal expectation because of the rather general lowering of back-tax reservoirs in recent years. The phenomenon of total collections exceeding the year's levy, which was so widely in evidence in 1936 and 1937, could be only of temporary duration at best, and the slump in business is undoubtedly operating to shorten this period of affluence. The taxes of early depression levies which still remain outstanding are those least susceptible to pressure and inducements for payment, and taxpayers who permitted their taxes to become or remain delinquent in the past two years are now in a less favorable position to meet them.

In 1938, therefore, despite the encouraging way in which current collections appear to be holding up, the reasonable expectation is that general property tax income, as a whole, will be considerably less satisfactory than in 1937. It will not be possible to balance 1938 budgets with the facility of last year, and those cities which have been enjoying balanced financial operations only because of the sudden influx of previously frozen revenues will find themselves once more confronted with the necessity of careful planning to make both ends meet.

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THE BUSINESS BOOKSHELF

BUSINESS . . . FINANCE . . . ECONOMICS . . . GOVERNMENT

DEMOCRACY and Christianity, Ordway Tead begins in *The Case for Democracy* (Associated Press, \$1.25), have much in common. They



ORDWAY TEAD

are based on similar ideals; they imply kindred ways of realizing them; and today they are both under attack. It is Mr. Tead's conviction that, reinforcing each other, they should meet their opponents together. For an individual this union of principles suggests that one exercise his citizenship as a man of good will, that one be charitable on terms of liberty, equality, and fraternity. *The Case for Democracy* is essentially an affirmation of faith in the satisfactions and, yes, utility of this dualistic concept.

In a time of transition, when ideals are being studied critically, the path

which business executives choose to follow, Mr. Tead feels, is of great importance. His hope is that men of responsibility will not try to live at once in two morally incompatible worlds, to be autocratic in the business half of the day and democratic, or even philanthropic, only in the other half. He would prefer that in operating their companies they share more of their responsibility and in determining their policies be more mindful of the public interest. He would prefer that they recognize collective bargaining on an industry-wide basis, that they think twice before they seek such government subsidies as tariffs, that they welcome constitutional broadening of Congressional powers.

"It is clear," Mr. Tead concludes, "that our nation, as one among many, is in sore need of a great commanding national purpose." He hopes that business men will play a leading part in reducing inequalities and promoting

the general welfare of the Nation by adhering firmly to Christian and democratic ideals and principles.

Capital on Strike

THE ONLY malice in Arthur Dahlberg's *When Capital Goes on Strike* (Harpers, \$2.50) rests in its title. This is not a bitter book. There is no name calling, no debate with a straw man as to whether the alleged strike is voluntary or involuntary. The possibility that there could be a capital strike, its thesis



ARTHUR DAHLBERG

runs, is purely an accident of contract, whose origin lies in the evolution of modern money. It is that accident Dr. Dahlberg examines and prescribes for.

Along with many other modern economists—Hawtrey, Keynes, Wer-

CURRENT READING

BOOK	AUTHOR	SUMMARY
BROOKINGS: A BIOGRAPHY, by Hermann Hagedorn. Macmillan, 315 pages, \$3.50.	A biographer whose works include <i>Roosevelt in the Bad Lands</i> , <i>Leonard Wood</i> , and <i>The Magnate</i> .	The life of Robert Brookings, who became a St. Louis merchant at 21, retired at 46 to devote the rest of his life to public service, and founded the Institution which bears his name.
PERSONNEL AND LABOR RELATIONS, by Dale Yoder. Prentice-Hall, 644 pages, \$5.35.	Professor of economics and industrial relations, School of Business Administration, University of Minnesota; author of <i>Labor Economics and Labor Problems</i> .	Methods for applying statistical analysis to personnel problems and a discussion of such subjects as sources of labor supply, hours of work, job analysis, employment stabilization, and wage plans and policies.
INTRODUCTION TO THE THEORY OF EMPLOYMENT, by Joan Robinson. Macmillan, 127 pages, \$2.	Author of <i>The Economics of Imperfect Competition</i> , <i>Essays in the Theory of Employment</i> , and others.	A simplified account of the main principles of the Theory of Employment for those who wish help in understanding J. M. Keynes's <i>General Theory of Employment, Interest, and Money</i> .
WHEN CAPITAL GOES ON STRIKE, by Arthur Dahlberg. Harpers, 213 pages, \$2.50.	Author of <i>Jobs, Machines, and Capitalism</i> ; former research fellow, Social Science Research Council; economist in the Research and Planning Division of NRA.	Governments can obtain full industrial operation and yet avoid the rationing of income, prices, and production by exercising control over the <i>velocity</i> of private spending—which control over <i>supply</i> of money alone cannot do. Reviewed in this issue.
PROFITABLE PUBLIC RELATIONS, by Bronson Batchelor. Harpers, 244 pages, \$2.50.	After serving an apprenticeship with Ivy Lee, he set up his own consulting office, which has served more than a score of corporations and trade associations.	Following an introduction in which Mr. Batchelor reviews the background of changing political conditions, he discusses public relations problem examples and points out guide posts for formulating public relations policies.
TRENDS IN COMPENSATING SALESPeOPLE. National Retail Dry Goods Association, 76 pages, \$2.50.	Prepared by the Association's Store Management Group under the direction of Anne McNamara.	An analysis of wage payment methods in retail stores, including a summarization of salary plans as reported by members of the Association. Includes a chapter on special incentives.
THE CASE FOR DEMOCRACY, by Ordway Tead. Association Press, 120 pages, \$1.25.	Authority on personnel problems; past president of the Society for the Advancement of Management; author of <i>Creative Management</i> and <i>The Art of Leadership</i> .	Inquiring into the rôle of democracy in modern business conduct, the author presents five possible courses for the business man to follow. Only one, he thinks, will help save democracy. Reviewed in this issue.
INTEREST RATES, BOND YIELDS, AND STOCK PRICES, by Frederick R. Macaulay. National Bureau of Economic Research, 500 pages, \$5.	Research staff, National Bureau of Economic Research; formerly taught economics; co-author of <i>Income in the United States—Its Amount and Distribution</i> .	A study of interest rates and bond yields over a long period to ascertain what relations these rates and yields bear to one another and to prices of stocks and commodities, to physical and monetary volume of trade, and to credit and banking activities.

nette, Foster, and Means, for example—Dr. Dahlberg considers the business cycle the result of a periodic breaking down of the demand side of capitalism. Like them, he too has speculated about procedures for shoring it up. The crutch which some advocate is emergency Government spending of receipts from taxation or bond issues. Others feel that the Government might just as well print the money and be done with it. Dr. Dahlberg proposes to force private spending.

In a barter economy, he argues, man first traded butter for grain, lumber for leather. No one could hoard food-stuffs, for they deteriorated rapidly. Neither on the other hand could one hoard lumber very long if one was to eat. The early economic man was constantly obliged to trade; or, in today's terms, to go from a money to a goods position. Again, if ancestor A borrowed lumber and agreed to pay ancestor B in 90 days, A could pay as agreed in butter, no matter what the exchange value of butter three months later. Then with the coming of silver and gold as exchange media, and subsequently with the substitution of bank money, this freedom for the borrower vanished. As go-between, a banker would appraise A's assets and lend A the money with which to buy B's lumber. But, A now had to pay back the bank in money which did not depreciate in value, whereas his butter well might, especially if B refused to buy it.

Rigidity

The privilege of hoarding which the institution of an inflexible contract gave to money has become "a particularly vicious one," for it is this, says Dr. Dahlberg, which leads to all the familiar ailments of depression. His solution is to tax the holders of money, so that they will spend "regardless of whether or not at any given moment prices are relatively frozen and regardless of whether or not at any given moment the prospects of profits are high or low." Such a tax would operate like a negative rediscount rate.

In brief the plan would operate in this way: A monthly tax of $\frac{1}{2}$ or 1 per cent would be levied on each person's average demand deposits above a working sum of \$300. As an alternative form of money, paper currency would



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also be made to depreciate regularly, by making it redeemable at par only during the month of its issue and thereafter having it depreciate according to a table printed on the back of the note. Different colors for different months might be used to distinguish the bills. The Government would remain off the full gold standard, and the author reasons that a flight to foreign currencies would soon cause them to appreciate in terms of the dollar until it would be unprofitable to flee.

For at least four years Dr. Dahlberg has been perfecting the details of his plan and countering the objections of orthodox economists. It is a more closely reasoned argument than a brief review indicates. His book also outlines plans for adapting the scheme to the requirements of savings banks, re-funding operations, short term paper, and so forth. Once functioning, his scheme could be easily understood and operated by popular will. The voter's obligation would be simply to watch the index of employment; the greater the number of unemployed, the higher the tax he would instruct his representatives to legislate.

Readers who tire easily on money-manipulation fare might still find interesting the Robinson Crusoe account of the evolution of modern banking or, secondly, an economic explanation of why people put their trust in collectivist governments.

EARMARKS OF FRAUD

(Continued from page 24)

means of support. He had tried his formula for fraud, and it paid handsomely.

With a stack of manufacturers' and wholesalers' catalogs, David began to place orders on a COD basis. When the goods arrived at the freight or express office, David would wire the shipper, "Temporarily short, send check for half today, balance ten days." The shipper faced with the expense of reclaiming depreciating goods 2,000 miles away often accepted the offer. Our hero never made good. When this dodge wore out he tried imitating respected names in nearby towns, and

was successful in obtaining a large volume of merchandise, most of which he disposed of to fences over the Mexican border. After ten years of fraud, David was caught in Houston and went back to Leavenworth for another five years. He cost Eastern manufacturers over \$150,000.

Mr. Riggio, in Exhibit E, was the nephew and partner of an Italian immigrant who founded a family fortune in the artificial flower business. The nephew and uncle shared alike a reputation for sterling honesty. After the death of the uncle, Riggio enlarged the business to include the importation of Italian table delicacies. The business had an occasional bad year, but its reserves were ample, and the losses were caused largely by large payrolls. Riggio never fired a countryman or a relative. He sent one brother abroad to open an Italian branch to handle American manufactured goods.

When Riggio reached the age of 50 he began to tire of his responsibilities and was receptive to any plan which would relieve him of the burden of active management. Word was gossiped about the trade, and one day a Westerner in his early forties called on Riggio. This aggressive young man, a reputed wealthy grape grower of California, whom we can call Weston, made a proposal which seemed attractive to Riggio. On a long-term purchase plan Weston bought 51 per cent control, leaving Riggio still treasurer of the concern. Riggio retired to his Long Island estate to sign a few checks, to clip coupons, and to entertain his gregarious relatives. It was fine while it lasted, but in a few months Riggio suddenly awoke to the fact that his company was ruined and that Weston had made him an accomplice in a high-handed "over-buy" or sales expansion.

Flees Country

When Riggio protested he was told to keep his mouth shut. Seeing the work of a lifetime of honest effort destroyed, Riggio lost his moral stamina and joined in the conspiracy to defraud the sources of supply, making a vain attempt at salvage. Before the involuntary bankruptcy was announced, Weston skipped with his share of the swag, but Riggio was arrested and indicted. While out on bail, Riggio left

the country under an altered passport, and went to Italy, where he still lives, smarting under the shame of one misstep that overshadows a life of honorable dealing. Weston was later captured and sent to jail.

Distance an Asset

The credit fraud operation is likely to be encountered wherever business is transacted. It is just as simple for the retailer in Hawaii or Alaska to buy on his credit reputation from New York, Chicago, or Seattle. Distance can be an actual asset to the conspirator preying on the good name of another. Geographically speaking, however, the Philadelphia market is the most frequent center of credit fraud infection, while New York, Chicago, and St. Louis offer plenty of places for the parasite to breed in relative comfort. Prosecution under the bankruptcy act has a direct relation to the daring of the bankruptcy ring. Where convictions are difficult to obtain the fraudulent operator is boldest, and he has especially abused the hospitality of the City of Brotherly Love. The most efficient weapon of offense has been the Government post office inspector, who gathers evidence to indict under the postal law covering the fraudulent use of the mails.

The canny New Englander loses some of his reputation for caution, for he is conspicuous by his presence in the lists of creditors who have shipped first and asked questions later. One Canadian manufacturer lost an entire carload of merchandise valued at \$8,000 to a recent ring swindle in New York. He shipped his goods to an imposter without verifying the correct name or address. A large portion of the shipment returned to Canada via motor truck and was unloaded at a fraction of the original cost. Fate seemed outraged by this international trickery, and the leader of the ring was killed shortly afterward in an automobile accident while hurrying away from imaginary pursuers.

There are many variations of theme in credit fraud, but the formulas are few and simple: the imitation of well-established names, the purchase and use of established names and reputations, the scattering of small orders, and the underworld source for disposal

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of merchandise not fully paid for.

Naturally the manufacturer and wholesaler cannot be expected to know the intimate business history of each applicant for credit—there are more than 2,000,000 business enterprises in the United States. Most, and by far the majority, of commercial credit seekers intend to pay their bills, and do pay them. If they do not, it is usually a case of bad management rather than deliberate intent to defraud. There is a definite demarcation between the incompetent or the unfortunate business man who goes down to bankruptcy with all flags flying and the elusive chiseler who makes a living at the expense of careless suppliers. The trained credit man always has a weather eye for the maverick in the herd of orders lying on his desk.

Salesmen generally learn by experience that the best sales usually are hardest to make. A certain tension of resistance may be interpreted as a good sign. The sale that comes too easily or that may come unsolicited merits investigation and suspicion. Even if the first small order is paid for, it may be the build-up toward a bigger credit loss.

Normal business is an adventure in human nature. The owner of a business expects to take risks of capital and merchandise, but there is a big difference between a risk and a chance. A risk is a hazard undertaken with every possible precaution, and with eyes wide open, but a chance is a blind gamble

in which the business man is at the mercy of luck.

Business men, risking their capital and merchandise, set up a reserve against the normal credit loss for their lines of business. If the ratio gets too small they have reason to feel that they may be losing a lot of profitable business through an excess of credit caution. But the credit fraud does not belong in the normal accidents of capital and merchandise loss. It is made possible by the universal fault of carelessness. In good times its operator relies on the human tendency to relax credit strictures; in bad times he counts upon the hunger for orders. How much he costs legitimate business annually is impossible to estimate, but the toll he collects represents a sizable percentage of the "write-offs" at the end of the year.

Credit fraud represents a part of the cost of doing business. That expense can be lowered by business men when they beat the credit schemer at his own game. In the pattern of modern business, it is possible to put the finger on the legitimate buyer no matter where he is located and examine his right to credit. No order from an unknown source is so urgent that it will not wait for investigation and no order is so obvious that it will not bear verification of name and address. A sharp eye for the well-known lures of the credit thief will make his operations unprofitable; but it requires a vigilance as alert and as constant as the machinations of his nimble brain.

OVER THE EDITOR'S DESK

CONTRIBUTORS . . . COMING IN FUTURE ISSUES

WHEN Albert Abrahamson (pages 10-17) was appointed Maine Administrator for the WPA he was only 29, but certainly the jurisdiction he was given was not over unfamiliar territory. Born in Portland, he attended the public schools there and later studied at Bowdoin College, in Brunswick, Me.

After graduate study at Columbia, Mr. Abrahamson returned to Brunswick, where he taught until 1934. In that year he began in Washington the research work which preceded his WPA commission. Two chapters in the recently published *Price and Price*

Policies, by Walton Hamilton and Associates (McGraw-Hill, 1938), were based on this research. Last year, after his resignation, he returned again to Bowdoin, where he is now associate professor of economics.

AFTER graduation from the University of Michigan, Louis K. Comstock (pages 18-21) began his career in electrical engineering with the North American Construction Co., in Pittsburgh, Pa. Later, after an interval during which he practised as a construction engineer on his own account in Chicago, he became superintendent of

construction for the Western Electric Co. In 1904 he organized L. K. Comstock & Co., serving as its president until 1926 and since then as chairman of the board. His company has installed the electrical and mechanical equipment in many of the large buildings and industrial plants in or near New York and Chicago and in Canada.



KADEN-KEYSTONE

LOUIS K. COMSTOCK

In 1918 Mr. Comstock was a member of the War Industries Board; he has been a delegate to several congresses of the International Chamber of Commerce; in New York he is a director of a number of companies and is chairman of the board of the New York Title Insurance Co.

AUTHOR of many monographs on city administration, Frederick L. Bird (pages 8 and 9) has been a lecturer on government at Columbia University and editor of Municipal Administration Service publications. As Director of Municipal Research for DUN & BRADSTREET, he has prepared annual surveys of municipal tax delinquency and debt. He has served as a consultant to the Rural Electrification Administration and other government bodies. He is the author of *The Recall of Public Officers*. . . . Before coming with DUN & BRADSTREET A. M. Sullivan (pages 22-24) had edited a marine magazine and several house organs and had managed his own advertising copy service.

FOR readers, if there are any, who are not insulted by salesgirls calling out "Here's another Dopey customer," who do not wince at mention of the much-publicized *Snow White*, there are a few new items for the record. Learned too late to be included in the April article on the Disney feature picture, it is now



Help Someone Succeed

BY SENDING US HIS NAME

IF YOU know some worthy and ambitious man or woman who wants to find a way to win a fair reward in a life work, do this:

Suggest a career in life insurance field work and if you think this individual might be interested send us the name to the address below.

The Mutual Life Insurance Company of New York places a high value on sincere recommendations if based on personal knowledge of the character of those recommended.

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The Mutual Life's new 32-page booklet "Can I Make a Living as a Life Insurance Representative?" is available to those who wish to consider the subject seriously; also name of nearest Mutual Life manager.

ADDRESS: Vice President and Manager of Agencies

The Mutual Life
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34 Nassau Street, New York



virtually certain that *Snow White* will be the greatest money-making photoplay ever produced.

Two magazines which report on marketing developments, *Tide* and *Domestic Commerce*, have seen fit to digest the April article, and perhaps further reports from Hollywood will interest early-birds seeking promising merchandise tie-ins. Next on the Disney production schedule is *Pinocchio*. Also in preparation are *Bamby* and *The Wind in the Willows*, due to arrive, respectively, in about two and three years, which should give stylists ample time to brush up on their childhood reading.

NEXT month DUN'S REVIEW will report the findings of the third part of the Survey of Business Trends. Section III will be an analysis of expenditures for improvements and enlargements made in 1936 and 1937.

THE July number will include a discussion of retail price control and its effects on policies and prices. The authors are Reinhold Wolff, editor of *Trade Regulation Review* and a contributor who caused a considerable extra demand for our December number, and Duncan Holthausen, who has just completed an intensive study of the effects on New York State prices.

DUN'S REVIEW

Willard L. Thorp, Editor; Norman C. Firth, Managing Editor and Business Manager; Raymond Brennan, Edwin B. George, Walter Mitchell, Jr., A. M. Sullivan, Associate Editors; J. A. D'Andrea, Statistician; Clarence Switzer, Art Director; H. C. Daych, Advertising Manager.

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More detailed breakdowns of those statistical data originally compiled by the publishers—business failures, bank clearings, building permits, and price indexes which are summarized and interpreted each month in DUN'S REVIEW (see pages 34-37)—are published monthly in DUN'S STATISTICAL REVIEW, tables only, no text, \$1 a year; \$2 outside the United States.

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